

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO
COMMUNITY COLLEGE**

Basic Financial Statements and Schedules
For the Fiscal Years Ended June 30, 2011 and 2010
(With Independent Auditors' Reports Thereon)



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

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

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**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Official Roster

Governing Board

Name	Title
John Mondragon	Chair
Blair L. Kaufman	Vice Chair
Penelope S. Holbrook	Secretary
Deborah Moore	Member
Robert P. Matteucci	Member
Mark Armijo	Member
Michael DeWitte	Member

Administrative Officials

Kathie Winograd	President
Kathy Ulibarri	Vice President of Finance & Operations
Martin Serna	Comptroller

FINANCIAL SECTION



Independent Auditors' Report

Governing Board
Central New Mexico Community College
Albuquerque, New Mexico

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the State of New Mexico Central New Mexico Community College (the College), as of and for the years ended June 30, 2011 and 2010, which collectively comprise the College's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons presented as supplementary information as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2011 and 2010, and their respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the years ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "Supplementary Information Section" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kardas, Abeyta & Weiner, P.C.

October 31, 2011

**STATE OF NEW MEXICO
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Management's Discussion and Analysis

June 30, 2011 and 2010

Overview of the Financial Statements and Financial Analysis

This report consists of Management's Discussion and Analysis (MD&A) (this part), the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These statements provide both long-term and short-term financial information on the Central New Mexico Community College (the College) as a whole and its component unit, the Central New Mexico Community College Foundation (the Foundation). This MD&A focuses on the College and not the Foundation. Separately issued financial statements for the Foundation can be obtained from the College's administrative offices.

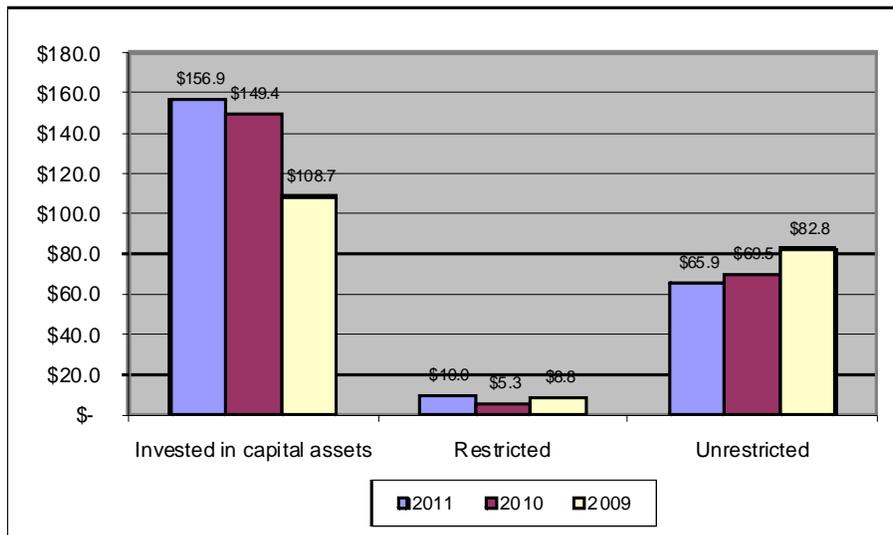
The discussion and analysis of the College's financial statements provides an overview of its financial activities for the years ended June 30, 2011 and 2010. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

Financial Highlights

Net assets increased approximately \$8.6 million (3.9%) during 2011. The change resulted primarily from a decrease in unrestricted net assets of \$3.5 million (-5.1%), an increase in invested in capital assets of \$7.4 million (5.0%), and an increase in restricted net assets \$4.7 million (88.7%).

Net assets increased approximately \$23.8 million (11.9%) during 2010. The change resulted primarily from a decrease in unrestricted net assets of \$13.4 million (-16.1%), an increase in invested in capital assets of \$40.7 million (37.4%).

The following graph illustrates the comparative change in net assets by category for fiscal years 2011, 2010, and 2009.



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Management's Discussion and Analysis

June 30, 2011 and 2010

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets

The statement of net assets and statement of revenues, expenses, and changes in net assets report the College's net assets and how they have changed. Net assets - 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 assets are an indicator of whether its financial health is improving or declining. Nonfinancial factors are also important to consider, including student enrollment and the condition of campus buildings.

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 assets as of June 30:

Net Assets, End of Year (in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets:			
Current assets	\$ 99,181	107,519	104,414
Capital assets, net	190,119	180,537	129,124
Other noncurrent assets	3,676	3,519	2,995
Total assets	<u>292,976</u>	<u>291,575</u>	<u>236,533</u>
Liabilities:			
Current liabilities	26,187	24,881	13,336
Noncurrent liabilities	33,993	42,526	22,857
Total liabilities	<u>60,180</u>	<u>67,407</u>	<u>36,193</u>
Net assets:			
Invested in capital assets, net of related debts	156,860	149,419	108,747
Restricted	9,994	5,281	8,774
Unrestricted	65,942	69,468	82,819
Total net assets	<u>\$ 232,796</u>	<u>224,168</u>	<u>200,340</u>

Total assets increased \$56.4 million (23.9%) over a two-year period driven by a \$61.0 million increase in capital assets. This was primarily due to the addition of the Rio Rancho campus, and the Student Resource Center. Net assets increased \$32.5 million (16.2%) over the same period driven by a \$48.1 million (44.2%) increase in capital net assets.

During 2011, total liabilities decreased by \$7.2 million due to the decrease in bonds payable of \$2.8 million. Accounts payable decreased by \$1.1 million due to a decrease in construction activity. In 2010, total liabilities increased by \$31.2 million due primarily to the issuance of the \$30.0 million 2009 bond issue.

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Management's Discussion and Analysis

June 30, 2011 and 2010

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

Revenues, Expenses, and Changes in Net Assets (in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 33,653	27,019	25,232
Operating expenses	(166,055)	(146,517)	(135,770)
Operating loss	(132,402)	(119,498)	(110,538)
Nonoperating revenues and expenses	139,737	132,125	124,954
Income before other revenues, expenses, gains, or losses	7,335	12,627	14,416
Capital grants and appropriations	1,293	11,201	1,055
Increase in net assets	<u>\$ 8,628</u>	<u>23,828</u>	<u>15,471</u>

Operating Revenues

Operating revenues of \$33.7 million increased \$6.6 million (24.6%) when compared to 2010, and were \$8.4 million (33.4%) greater when compared to 2009. The following table summarizes the College's operating revenues for the years ended June 30:

Operating Revenues (in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tuition and fees, net	\$ 13,875	11,124	10,339
Federal grants and contracts	5,896	3,963	3,839
State and local grants and contracts	7,221	6,570	6,556
Sales and services of educational departments	3,273	2,366	1,703
Auxiliary enterprises	3,388	2,996	2,795
Total operating revenues	<u>\$ 33,653</u>	<u>27,019</u>	<u>25,232</u>

Tuition and fees increased \$2.8 million (24.7%) in 2011 due primarily to an increase in fees and enrollment. From 2009 to 2011, tuition and fees increased \$3.5 million, a (34.2%) increase in two years. Sales and services of educational departments increased \$1.6 million from 2009 to 2011, an increase of (92.2%).

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Management's Discussion and Analysis

June 30, 2011 and 2010

Operating Expenses

Operating expenses increased \$19.5 million (13.3%) in 2011 when compared to the prior year. Student service expenses increased \$2.5 million (17.5%) in 2011. Over a two year period, expenses for operation and maintenance of plant increased \$3.9 million (35.8%). Student aid increased \$6.5 million (22.5%) in 2011 caused primarily by an increase in Pell grants. Over a two year period student aid increased \$15.9 million (80.6%) due to enrollment and Pell grant growth. From 2009 through 2011, operating expenses increased \$30.3 million, a (22.3%) increase. The following table summarizes the College's operating expenses for the years ended June 30:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Instruction	\$ 59,497	56,497	55,365
Public service	1,093	1,359	1,959
Academic support	11,090	9,360	10,001
Student services	16,975	14,453	13,844
Institutional support	16,143	15,919	16,118
Operation and maintenance of plant	14,768	11,797	10,875
Depreciation	8,604	6,078	6,048
Student aid	35,567	29,034	19,692
Auxiliary enterprises	2,200	1,929	1,787
Other expenses	118	91	81
Total operating expenses	<u>\$ 166,055</u>	<u>146,517</u>	<u>135,770</u>

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses increased \$7.6 million (5.8%) in 2011 when compared to the prior year. State appropriations increased \$0.7 million (1.6%) in 2011. Over a two-year period, state appropriations have decreased \$5.9 million (-11.0%). Local appropriations for operations increased \$2.7 million (6.4%) over a two-year-period. Federal Pell grants revenue increased \$6.7 million in 2011 a (22.0%) increase. Over a two year period Pell grant revenue has increased \$18.9 million, an increase of (102.8%).

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June 30, 2011 and 2010

Investment income decreased by \$.55 million (-65.5%) over a two year period due to a downturn in financial markets. Overall, nonoperating revenue and expenses increased \$14.8 million (11.8%) over a two year period. The following table summarizes the College's nonoperating revenue and expenses for the years ended June 30:

Nonoperating Revenues and Expenses (in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
State appropriations	\$ 47,851	47,104	53,768
Local appropriation – operating	45,237	44,921	42,514
Local appropriation – debt service	9,159	9,358	9,105
Federal pell grant	37,243	30,535	18,363
Investment income	287	170	834
Interest on capital asset related debt	(1,386)	(990)	(994)
Other	1,346	1,027	1,364
Total nonoperating revenues and expenses	<u>\$ 139,737</u>	<u>132,125</u>	<u>124,954</u>

Capital Grants and Appropriations

Other revenues, expenses, gains, or losses decreased \$9.9 million (-88.5%) in 2011 due to completion of the SRC building. There were no other significant or unexpected changes in capital grants and appropriations. The following table summarizes the College's other revenues, expenses, gains, or losses for the years ended June 30:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Capital appropriations	\$ 1,293	11,064	346
Capital grants and gifts	—	7	209
Additions to permanent endowments	—	130	500
Total other revenues, expenses, gains, or losses	<u>\$ 1,293</u>	<u>11,201</u>	<u>1,055</u>

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Management's Discussion and Analysis

June 30, 2011 and 2010

Capital Asset and Debt Administration

Capital Assets

At June 30, 2011, the College had approximately \$190.1 million invested in capital assets, net of accumulated depreciation of \$74.0 million. Depreciation charges for the current year totaled \$8.6 million compared to \$6.1 million in 2010 and \$6.0 million in 2009. The following table summarizes the College's capital assets, net of accumulated depreciation, as of June 30:

Capital Assets, Net (in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land and improvements	\$ 34,953	35,035	31,734
Buildings	130,170	81,691	70,618
Infrastructure	2,261	2,166	1,990
Furniture, fixtures, and equipment	9,546	9,488	7,099
Library materials	1,554	1,609	1,655
Art	513	513	420
Construction in progress	11,122	50,035	15,608
Capital assets, end of year	<u>\$ 190,119</u>	<u>180,537</u>	<u>129,124</u>

Major capital expenditures during fiscal year 2011 include:

Jeanette Stromberg remodel	1,236,757	West Side data center upgrade	1,183,489
West side phase III	1,182,398	Tom Wiley renovation	394,545
Student Resource Center	3,715,975	Trades Mechanical upgrade	227,227
Alameda property remodel	4,847,015	H Bldg renovation	1,709,574
Rio Rancho Campus	2,209,289	APS security bldg upgrade	266,463

Major capital expenditures during fiscal year 2010 include:

West Side Data Center	1,025,942	Cable plant upgrade	863,920
JMMC Bookstore	765,275	WTC .88 acre purchase	622,112
Student Resource Center	20,205,019	Trades Mechanical upgrade	2,989,256
Alameda property purchase	10,175,087	BRR small projects	1,722,679
Rio Rancho Campus	15,401,178	Data processing projects	2,226,653

Additional information about the College's capital assets and construction commitments are presented in note 4 and 10 to the basic financial statements.

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Management's Discussion and Analysis

June 30, 2011 and 2010

Bonds Payable

As of June 30, 2011, the College has \$42.5 million in outstanding bonds, a decrease of \$2.8 million when compared to 2010 and an increase of \$18.6 million when compared to 2009. The decrease in 2011 is due to scheduled debt service payments on the outstanding bond issues. The following table summarizes outstanding long-term liabilities by series as of June 30:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Bond Series 2006	21,825	22,825	23,825
Bond Series 2009	20,250	22,000	—
Total principal	42,075	44,825	23,825
Premium	419	451	32
Total debt outstanding	\$ 42,494	45,276	23,857

In September 2011, Standard & Poor's reviewed their rating of Central New Mexico Community College general obligation bonds and affirmed the "AA+" rating. Moody's assigned an Aa1 rating to CNM's 2011 general obligation bond series. Additional information related to the College's long-term liabilities is presented in note 7 to the basic financial statements.

The Schedule of Revenues, Expenditures, and Changes in Net Assets – Budget and Actual Unrestricted and Restricted – All Operations

Revenues (Budgetary Basis)

The schedule of revenues, expenditures, and changes in net assets – budget and actual reports the College's actual versus budgeted revenues, expenditures and transfers and their variance. The annual budget of the College is adopted on a basis consistent with the reporting requirements of the New Mexico Higher Education Department, which are based on the fund accounting principals applicable prior to GASB Statements No. 34, 35, 37, and 38 (budgetary basis). By contrast, the College prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP Basis).

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Management's Discussion and Analysis

June 30, 2011 and 2010

The following table summarizes the Colleges original budget, final budget, actual, and variance for revenues:

	Budgeted Revenue (in Thousands)		Actuals	Variance
	Original budget	Final budget	(budgetary basis)	favorable (unfavorable)
Revenues:				
Tuition	\$ 15,546	16,613	16,655	42
Miscellaneous fees	5,380	5,782	5,985	203
State government appropriations	49,456	47,851	47,851	—
Local government appropriations	42,677	44,077	45,124	1,047
Federal government contracts/grants	43,010	51,435	43,331	(8,104)
State government contracts/grants	7,350	7,929	6,845	(1,084)
Local government contracts/grants	16	5	—	(5)
Private contracts/grants	2,180	2,768	1,491	(1,277)
Endowments	79	44	44	—
Sales and services	5,314	5,723	4,896	(827)
Other	1,690	2,475	2,449	(26)
Capital outlay	31,000	12,350	6,194	(6,156)
Building renewal and replacement	75	75	72	(3)
Retirement of indebtedness	9,275	9,275	9,151	(124)
Total revenues	\$ 213,048	206,402	190,088	(16,314)

The final budget had decreased revenue versus the original budget by \$6.6 million (-3.1%). The primary decrease was in Capital outlay, \$18.6 million, with an increase in federal grants for financial aid of \$8.4 million. State appropriations were reduced by \$1.6 million and Local government appropriations were increased by \$1.4 million.

Actual revenues were \$16.3 million (-7.9%) less than the final budget. The largest variance was in federal grants \$8.1 million (-15.8%) caused by overestimating Pell grants. Capital outlay revenue was \$6.2 million (49.8%) less than the final budget. Private contracts/grants revenues were under budget by \$1.3 million (46.1%).

Expenditures (Budgetary Basis)

The final budget decreased expenditures by approximately \$9.2 million (-4.1%). The budget for capital outlay was decreased by \$13.3 million (40.6%) for anticipated capital projects. The budget for Operations and maintenance was increased by \$4.1 million anticipating utility and maintenance costs. The student aid grants and stipends budget was increased a total of \$9.5 million (22.3%) due to anticipated growth in the award of Pell grants. The schedule below summarizes the Colleges original budget, final budget, actuals, and variance for expenditures:

**STATE OF NEW MEXICO
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Management's Discussion and Analysis

June 30, 2011 and 2010

Budgeted Expenditures (in Thousands)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actuals (budgetary basis)</u>	<u>Variance favorable (unfavorable)</u>
Expenditures:				
Instruction	\$ 64,372	64,763	59,920	4,843
Academic support	12,371	12,457	11,492	965
Student services	16,412	18,653	16,949	1,704
Institutional support	16,619	17,898	16,212	1,686
Operation and maintenance of plant	11,954	16,034	12,597	3,437
Student social and cultural activities	203	203	104	99
Public services	1,795	1,688	1,120	568
Internal services	224	262	204	58
Student aid grants and stipends	42,495	51,963	43,886	8,077
Auxiliary enterprise	2,022	2,391	2,237	154
Capital outlay	32,750	19,450	13,917	5,533
Building renewal and replacement	15,500	8,000	5,727	2,273
Retirement of indebtedness	10,650	4,401	4,270	131
Total expenditures	<u>\$ 227,367</u>	<u>218,163</u>	<u>188,635</u>	<u>29,528</u>

Actual expenditures were \$29.5 million (-13.5%) less than the final budget. Capital outlay expenditures were \$5.5 million under budget due primarily to the timing of capital projects. Instruction was \$4.8 million (7.5%) under budget due to anticipated enrollment not occurring. Student aid was \$8.1 million (-15.5%) under budget.

Change in Net Assets (budgetary basis)

The following schedule summarizes the change in net assets for the College:

Budgeted Categories (in Thousands)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actuals (budgetary basis)</u>	<u>Variance favorable (unfavorable)</u>
Beginning balance budgeted	\$ 42,832	71,296	71,296	—
Revenues	213,048	206,402	190,088	(16,314)
Expenditures	227,367	218,163	188,635	29,528
Change in Net Assets (budgetary basis)	<u>(14,319)</u>	<u>(11,761)</u>	<u>1,453</u>	<u>\$ 13,214</u>
Net Assets (budgetary basis)	<u>\$ 28,513</u>	<u>59,535</u>	<u>72,749</u>	

The actual change in net assets on a budgetary basis was \$1.5 million, \$13.2 million better than budgeted.

**STATE OF NEW MEXICO
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Management's Discussion and Analysis

June 30, 2011 and 2010

Economic Outlook

The College's economic outlook is closely related to its role as the state's largest community college. The College is dependent upon ongoing financial and political support from state government. In FY 2011, state appropriations increased modestly by (1.59%). However, state appropriations declined by ten percent for FY 2012 and in aggregate, have declined approximately twenty percent over the past three years.

Another significant factor in the College's economic position relates to its ability to recruit and retain students. As compared to final student enrollment of 29,948 in Fall 2010, current census date data for Fall 2011 reports 29,246 students in college credit programs. This represents a decrease of 702 students (2.3%), and a decrease of (1.1%) in student credit hour production. The College has been serving high student enrollment since the decline of the economy.

Component Unit Financial Statements

Central New Mexico Community College Foundation is a component unit of the College. The Foundation separately issues their financials statements under Governmental Accounting Standards Board format. The Foundation's financial statements can be obtained from its administrative office at the College at 525 Buena Vista SE, Albuquerque New Mexico 87106.

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Statements of Net Assets

June 30, 2011 and 2010

	<u>Primary Institution</u>		<u>Component Unit</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 157,829	—	—	44,143
Cash and cash equivalents – restricted	102,787	3,612,029	528,345	208,791
Investments - unrestricted	75,173,025	76,689,880	—	—
Investments - restricted	16,412,186	20,355,217	—	—
Endowment investments – restricted	61,433	97,294	—	—
Accounts receivable students, net	528,205	1,008,740	—	—
Grants and contracts receivable, net	2,970,913	2,168,809	—	13,779
Mill levy receivable	3,144,658	3,373,304	—	—
Pledges receivable	—	—	16,384	26,770
Other receivable	—	—	132,287	16,867
Inventories	76,553	57,020	—	—
Other assets	553,068	156,580	—	—
Total current assets	<u>99,180,657</u>	<u>107,518,873</u>	<u>677,016</u>	<u>310,350</u>
Noncurrent assets:				
Cash and cash equivalents – restricted	—	—	575,456	664,803
Endowment investments – restricted	1,580,000	1,580,000	5,940,438	3,544,679
Mill levy receivable	1,804,101	1,462,285	—	—
Pledges receivable	—	—	—	6,830
Notes receivable	92,508	168,825	—	—
Other assets	199,688	307,687	—	—
Capital assets, net	190,119,021	180,537,494	—	—
Total noncurrent assets	<u>193,795,318</u>	<u>184,056,291</u>	<u>6,515,894</u>	<u>4,216,312</u>
Total assets	<u>292,975,975</u>	<u>291,575,164</u>	<u>7,192,910</u>	<u>4,526,662</u>
Liabilities:				
Current liabilities:				
Cash overdraft	—	487,919	80,666	—
Accounts payable to suppliers	7,402,317	8,484,630	222,986	54,249
Accounts payable - loans	134,998	3,655,810	—	—
Accrued compensated absences	1,836,401	1,813,600	—	—
Accrued payroll and payroll taxes	4,611,178	4,225,314	—	—
Accounts payable – other	152,541	212,899	—	—
Accrued interest payable	577,622	609,028	—	—
Deferred revenue	2,971,605	2,641,705	1,948,669	93,515
Bonds payable – current portion	8,500,000	2,750,000	—	—
Total current liabilities	<u>26,186,662</u>	<u>24,880,905</u>	<u>2,252,321</u>	<u>147,764</u>
Noncurrent liabilities – bonds payable	<u>33,993,508</u>	<u>42,526,319</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>60,180,170</u>	<u>67,407,224</u>	<u>2,252,321</u>	<u>147,764</u>
Net assets:				
Invested in capital assets, net of related debt	156,859,923	149,419,309	—	—
Restricted:				
Nonexpendable:				
Scholarships	—	—	2,665,369	2,352,599
Department programs	1,580,000	1,580,000	139,852	138,887
Expendable:				
Scholarships	25,199	41,339	1,122,423	995,416
Department programs	182,579	335,403	1,079,674	1,152,214
Debt service	8,205,685	3,324,028	—	—
Unrestricted	65,942,419	69,467,861	(66,729)	(260,218)
Total net assets	<u>\$ 232,795,805</u>	<u>224,167,940</u>	<u>4,940,589</u>	<u>4,378,898</u>

See accompanying notes to basic financial statements.

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2011 and 2010

	<u>Primary Institution</u>		<u>Component Unit</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Operating revenues:				
Tuition and fees (net of scholarship allowances of \$8,319,272 for 2011 and \$6,794,981 for 2010)	\$ 13,875,046	11,123,921	—	—
Federal grants and contracts	5,895,777	3,962,686	—	—
State and local grants and contracts	7,220,630	6,569,803	795,075	631,203
Sales and services of educational departments	3,273,360	2,366,239	—	—
Gifts and pledges	—	—	681,372	454,578
Auxiliary enterprise	3,388,168	2,996,312	—	—
Total operating revenues	<u>33,652,981</u>	<u>27,018,961</u>	<u>1,476,447</u>	<u>1,085,781</u>
Operating expenses:				
Instruction and general:				
Instruction	59,497,339	56,497,189	—	—
Public service	1,092,465	1,358,888	—	—
Academic support	11,089,875	9,360,054	—	—
Student services	16,975,421	14,452,942	—	—
Institutional support	16,143,161	15,918,892	—	—
Operation and maintenance of plant	14,768,372	11,796,794	—	—
Depreciation	8,603,572	6,077,873	—	—
Student aid	35,566,538	29,034,279	—	—
Auxiliary enterprises	2,200,128	1,929,160	—	—
Other expenses	118,148	91,143	1,639,023	1,048,828
Total operating expenses	<u>166,055,019</u>	<u>146,517,214</u>	<u>1,639,023</u>	<u>1,048,828</u>
Operating income (loss)	<u>(132,402,038)</u>	<u>(119,498,253)</u>	<u>(162,576)</u>	<u>36,953</u>
Nonoperating revenues (expenses):				
State appropriations	47,851,100	47,104,100	—	—
Local appropriations – operating	45,237,046	44,920,738	—	—
Local appropriations – debt service	9,158,599	9,357,954	—	—
Federal pell grant	37,242,673	30,535,236	—	—
Gifts	959,361	758,714	—	—
Investment income	287,322	170,566	663,590	378,345
Interest on capital asset related debt	(1,386,010)	(990,047)	—	—
Gain (Loss) on disposition of assets	(29,257)	18,416	—	—
Other nonoperating revenues	416,255	249,667	—	—
Net nonoperating revenues (expenses)	<u>139,737,089</u>	<u>132,125,344</u>	<u>663,590</u>	<u>378,345</u>
Income before capital grants and appropriations	<u>7,335,051</u>	<u>12,627,091</u>	<u>501,014</u>	<u>415,298</u>
Capital appropriations	1,292,514	11,064,084	—	—
Capital grants and gifts	300	7,261	—	—
Additions to permanent endowments	—	130,000	60,677	128,064
Total other changes	<u>1,292,814</u>	<u>11,201,345</u>	<u>60,677</u>	<u>128,064</u>
Increase in net assets	<u>8,627,865</u>	<u>23,828,436</u>	<u>561,691</u>	<u>543,362</u>
Net assets, beginning of year	<u>224,167,940</u>	<u>200,339,504</u>	<u>4,378,898</u>	<u>3,835,536</u>
Net assets, end of year	<u>\$ 232,795,805</u>	<u>224,167,940</u>	<u>4,940,589</u>	<u>4,378,898</u>

See accompanying notes to basic financial statements.

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Statements of Cash Flows
Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Tuition and fees	\$ 14,998,501	11,341,058
Federal grants and contracts	6,159,477	3,673,311
State and local grants and contracts	6,994,379	6,565,067
Payments to suppliers	(25,744,303)	(19,169,966)
Payments for utilities	(4,436,683)	(3,356,195)
Payments to employees	(71,772,004)	(67,546,734)
Payments for benefits	(20,374,672)	(19,278,504)
Payments for scholarships	(35,647,788)	(28,985,639)
Loans issued to students	—	(10,000)
Collection of loans to students	76,317	8,427
Auxiliary enterprise charges	3,362,042	2,957,142
Sales and services of educational activities	3,219,073	2,359,210
	<u>(123,165,661)</u>	<u>(111,442,823)</u>
Cash flows from noncapital financing activities:		
State appropriations	47,851,100	47,104,100
District mill levies—operating	45,118,299	44,239,423
District mill levies—debt service	9,164,176	9,357,222
Federal Pell Grant	37,351,823	30,481,214
Education Loan receipts	44,790,327	45,174,702
Education Loan disbursements	(48,328,859)	(42,433,518)
Gifts and Appropriations received for permanent endowments	959,361	888,713
Student organization agency transactions	3,474	17,284
Other receipts	414,076	251,846
	<u>137,323,777</u>	<u>135,080,986</u>
Cash flows from capital financing activities:		
Proceeds from capital debt	—	30,451,991
Capital appropriations	131,081	11,086,193
Proceeds from sale of capital assets	49,030	42,740
Purchases of capital assets	(18,652,590)	(53,549,340)
Principal paid on capital debt and leases	(2,750,000)	(9,000,000)
Interest paid on capital debt and leases	(1,582,200)	(1,400,083)
	<u>(22,804,679)</u>	<u>(22,368,499)</u>
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	119,629,692	146,484,382
Interest on investments	287,322	170,566
Purchase of investments	(114,133,945)	(145,756,651)
	<u>5,783,069</u>	<u>898,297</u>
Net increase (decrease) in cash and cash equivalents	(2,863,494)	2,167,961
Cash and cash equivalents, beginning of year	<u>3,124,110</u>	<u>956,149</u>
Cash and cash equivalents, end of year	<u>\$ 260,616</u>	<u>3,124,110</u>
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	\$ (132,402,038)	(119,498,253)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	8,603,572	6,077,873
Changes in assets and liabilities:		
Receivables, net	824,752	(1,014,754)
Inventories	(19,534)	(34,741)
Prepaid expenses	97,949	111,667
Accounts payable and accrued expenses	(625,243)	2,039,729
Deferred revenue	332,079	891,160
Compensated absences	22,802	(15,504)
	<u>(123,165,661)</u>	<u>(111,442,823)</u>
Noncash transactions:		
Capital grants and gifts	\$ 300	7,261

See accompanying notes to basic financial statements.

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Notes to Basic Financial Statements

June 30, 2011 and 2010

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The College was created under Sections 21-16-1 through 21-16-24, State of New Mexico Statutes Annotated (NMSA), 1978 Compilation, to provide post-secondary vocational and technical education. The State of New Mexico Albuquerque Technical Vocational Institute changed its legal name to Central New Mexico Community College on June 2, 2006. The College is governed by an elected seven-member board (Governing Board) and reports to the New Mexico Higher Education Department (NMHED). The mission of the College is to promote and provide higher education, skill development, and workforce training relevant to contemporary needs within the Central New Mexico Community College district and The State of New Mexico. The overall goal of the College is to provide dynamic education for the community.

In evaluating how to define the College for financial reporting purposes, the College's management has considered potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. In accordance with Governmental Accounting Standards Board (GASB) guidance, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government. Generally, GASB requires reporting, as a discretely presented component unit, a legally separate organization that raises and holds significant economic resources for the direct benefit of a governmental unit. Based upon the criteria established by GASB, these financial statements present the College and its component unit, Central New Mexico Community College Foundation (formerly Albuquerque Technical Vocational College Foundation, Inc.). The Foundation was organized in 1986 pursuant to Section 53-8-30, NMSA 1978 Compilation as a nonmember, not-for-profit New Mexico corporation under Section 501(c)(3) of the Internal Revenue Code. The Foundation was incorporated for the purpose of providing support to the College and is authorized through its articles of incorporation to receive and hold any property, real or personal, given, devised, bequeathed, given in trust, or in any other way for the use or benefit of the College, or any student or instructor therein, or for the carrying on at the College in any line of work, teaching or investigation, which the donor, grantor, or testator may designate.

An agreement between the Foundation and the College was entered into on December 2, 1991, and most recently amended March 22, 2007. This agreement formalizes the relationship between the Foundation and the College and establishes the sole purpose for the Foundation as soliciting, managing, and distributing gifts, grants, and donations given for the benefit of the College, or any student or instructor. The Foundation also serves as custodian and manager of any endowments received from private donors. The College provides support services at no cost to the Foundation. The Foundation is discretely presented in a separate column in the financial statements. Complete financial statements of the Foundation can be obtained from its administrative office at the College at 525 Buena Vista SE, Albuquerque, New Mexico 87106.

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2011 and 2010

(b) Financial Statement Presentation

The College and the Foundation follow GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 35 *Basic Financial Statements and Management’s Discussion and Analysis – for Public Colleges and Universities*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by these statements provides a comprehensive, entity-wide perspective of the College’s assets, liabilities and net assets, revenues, expenses, changes in net assets, and cash flows.

(c) Basis of Accounting

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

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

(d) Management’s Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 reporting period. Actual amounts could differ from those estimates.

(e) Tax Status

As a state post-secondary vocational and technical College, the College’s income is exempt from federal and state income taxes under Section 115(1) 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 for the years ended June 30, 2011 and 2010; therefore, no provision for income taxes is included in the financial statements.

(f) Cash and Cash Equivalents and Investments

For purposes of the statement of cash flows, the College considers all highly liquid investments such as the overnight sweep account to be cash equivalents. Immediate cash needs are met with resources deposited at the College’s bank. Cash resources not used are swept nightly and invested overnight.

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Notes to Basic Financial Statements

June 30, 2011 and 2010

Cash resources not needed to meet immediate needs are invested with the New Mexico State Treasurer's Office short-term investment pool, LGIP. Amounts invested with the State Treasurer are readily available to the College when needed and are recorded at cost, which approximates fair value. Restricted cash, cash equivalents and restricted investments represent amounts that are externally restricted to make debt service payments, bond funds restricted for capital purposes, and cash for loans.

The State Treasurer's Office invested a portion of the LGIP in the The Reserve Primary Fund ("the Fund"), a money market fund, in fiscal years 2006, 2007, 2008 and 2009. On September 15, 2008, the balance of the LGIP's investment in the Fund was \$381.7 million. On September 16, 2008, The Reserve Primary Fund's net asset value fell below \$1.00 and holdings in the Fund were frozen. On July 15, 2010, the Reserve announced that it will begin its seventh distribution to Primary Fund shareholders on or about July 16, 2010. The distribution, in the amount of \$215 million, represents approximately 67% of the Fund's remaining asset value of \$323 million as of the close of business on July 9, 2010. The College received \$92,117 on July 16, 2010. Including this seventh distribution, \$50.7 billion of Fund assets as of the close of business on September 15, 2008, will have been returned to investors. The New Mexico State Treasurer's Office believes that there may be additional distributions. Uncertainty remains, however, as to the timing and amounts of these distributions. Effective November 24, 2010, all remaining assets were transferred to a liquidating service agent, Crederian Fund Services LLC. The College recorded an estimated loss of \$380,270 for their portion as of June 30, 2009. On June 30, 2011 the College had \$287,803 remaining in the Reserve Primary Fund.

The State of New Mexico has donated to the College for the Legislative Nursing Endowment. The College's endowment spending policy is subject to annual review and provides that the annual amount of potential distributions from each endowment fund shall be limited to an amount determined prudent of the asset value of the endowment fund. The asset value is defined as the average of the most recent twelve quarter-ending asset values for the endowment fund. At the beginning of each fiscal year, the College's management determines the potential distribution amount for the endowment fund for the ensuing fiscal year. The College has approximately \$61,433 available for use. The amount is recorded in net assets as restricted-expendable.

The Foundation's investments consist primarily of certificates of deposit, federal agency obligations, corporate obligations, and marketable securities. Marketable securities are carried at fair value based on quoted market prices. Money market funds are carried at amortized cost, which approximates fair value. The change in fair value is reported in investment income in the statements of revenues, expenses, and changes in net assets.

The Foundation's endowment spending policy is subject to annual review and provides that the annual amount of potential distributions from each endowment fund shall be limited to a maximum of 5% of the asset value of the endowment fund. The asset value is defined as the average of the asset values for each endowment fund for the last three years. At the beginning of each fiscal year, the Foundation's board of directors will determine the potential distribution amount for each endowment fund for the ensuing fiscal year. On July 1, 2009 the uniform Prudent Management of Institutional

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2011 and 2010

Funds Act, introduced as HB 454 became effective. This act redefines the Foundations ability to spend net appreciation on investments of donor-restricted endowments.

(g) Receivables

Receivables consist primarily of amounts due from federal and state governmental entities for grants and contracts, local government entities for unremitted district mill levy, and student and third-party payors for student tuition and fees. The allowance for doubtful accounts is maintained at a level, which, in the administration's judgment, is sufficient to provide for possible losses in the collection of these accounts.

(h) Private Gifts, Revenue, and Pledges

The Foundation records pledges receivable as assets and revenue when all applicable eligibility requirements are met. The Foundation considers an executed charitable gift or endowment agreement or a letter thanking the donor for the pledge as evidence of a pledge. Pledges due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the pledges are received to discount the amounts. An allowance for uncollectible pledges is provided based on management's evaluation of potential uncollectible pledges receivable at year-end.

Grants and other contributions of cash and other assets are reported as restricted if they are received with donor stipulations that limit the use of the donated assets. Contributions of donated noncash assets are recorded at their estimated fair values in the period received.

(i) Inventories

Inventories, which consist of supplies and specialty items held primarily for sale to departments, are stated at the lower of cost (first-in, first-out method) or market.

(j) Compensated Absences

Accumulated annual leave is reported as a liability. Annual leave is provided to full and part-time, noninstructional employees. Up to 30 days annual leave may be accumulated and carried over to a subsequent fiscal year.

(k) State Appropriations

For government-mandated and voluntary nonexchange transactions, the College recognizes revenues when all applicable requirements including time requirements are met.

Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year and are available to the College in subsequent years, pursuant to the General Appropriations Act of 2010.

During the year, the College received a special appropriation of \$156,000 for Tax Help. Tax Help has a balance of \$38,986 at the end of 2011 which is recorded in restricted net assets – expendable.

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2011 and 2010

(l) District Mill Levies

District mill levies attach as an unsubordinated enforceable lien on property as of January 1 of the assessment year. Current year taxes are levied on November 1 and are due in equal semiannual installments on November 10 and April 10 of the next year. Taxes become delinquent 30 days after the due dates unless the original levy date has been formally extended. The mill levy is collected by the respective County treasurers and is remitted to the College. Revenue from the operational mill levy is recorded in the period for which the lien is levied. A separate mill levy for the retirement of debt on the General Obligation 2006 Bond Series and 2009 Bond Series (note 7) is collected and remitted to the College. Following the symmetrical recognition concept of GASB Statement 33 and 36, the College recorded an estimated receivable of \$4,948,759 and \$4,835,589 as of June 30, 2011 and 2010, respectively, based on levied tax information received from the respective county Treasurer's office. Based on historical collections, no allowance for uncollectible accounts has been recorded.

(m) Noncurrent Cash and Cash Equivalents

Cash and cash equivalents that are externally restricted to make debt service payments, are not needed in the next year, and funds to be invested in perpetuity are classified as noncurrent assets in the statement of net assets.

(n) Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more per Section 12-6-10 NMSA 1978 and an estimated useful life of greater than one year.

Renovations to buildings, infrastructure, and land improvements costing \$100,000 or more and that significantly increase the value or extend the useful life of the structure are capitalized. Software purchased for internal use with a unit cost of \$5,000 or more, is capitalized and depreciated. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the asset, generally 40 years for buildings, 20 years for infrastructure and land improvements, 10 years for library books, and 4 to 12 years for equipment.

(o) Deferred Revenue

For government-mandated and voluntary nonexchange transactions, the College and CNM Foundation recognize receivables and revenues when all applicable requirements, including time requirements are met. Resources received before the eligibility requirements are met are reported as deferred revenues. Resources received in advance where all eligibility requirements have been met are recorded as revenues when received.

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Notes to Basic Financial Statements

June 30, 2011 and 2010

Deferred revenue at June 30, 2011 and 2010 for CNM consists primarily of \$2,657,180 and \$2,302,043, respectively, amounts received from deferred summer term tuition, and \$314,425 and \$339,662, respectively, from grants and contract sponsors that have not yet been earned.

Deferred revenue at June 30, 2011 and 2010 for the CNM Foundation consists primarily of \$1,948,669 and \$93,515, respectively. The Foundation deferred \$665,947 from the Kresge Foundation, and \$1,282,722 from the Kellogg Foundation as restricted in 2011 which was received to support the CNM Connect Center.

(p) *Noncurrent Liabilities*

Noncurrent liabilities include principal amounts of bonds payable that will not be paid within the next fiscal year.

(q) *Classification of Net Assets*

The College's net assets are classified as follows:

Invested in capital assets, net of related debt – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. At June 30, 2011 and 2010, approximately \$6,921,583 and \$13,357,691 of bond proceeds remain unexpended, respectively.

Restricted net assets – expendable – Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. At year end the College had \$82,160 in assets allocated by the NM Higher Ed Department restricted to use for the Nursing program and \$38,986 restricted to use for Tax Help.

Restricted net assets – nonexpendable – Nonexpendable restricted net assets consist of endowment funds in which the donors have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income. The income generated from the principal may be expended or added to principal.

Unrestricted net assets – Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, district mill levies, investment income, 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 toward restricted resources, and then toward unrestricted resources.

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2011 and 2010

(r) Classification of Revenues

The College has classified its revenues as either operating or nonoperating 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 allowances; (2) sales and services of auxiliary enterprises; (3) most federal, state, and local grants and contracts; and (4) sale of educational services.

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

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, other student charges and expenses, the College has recorded a scholarship allowance.

(s) Classification of Expenses

Expenses are classified as operating or nonoperating according to the following criteria:

Operating expenses – Operating expenses include activities that have the characteristics of an exchange transaction, such as (1) employee salaries, benefits, and related expense; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, supplies, and other services; (4) professional fees; and (5) depreciation expenses related to the College's capital assets.

Nonoperating expenses – Nonoperating expenses include activities that have the characteristics of nonexchange transactions, such as interest on capital asset-related debt and bond expenses that are defined as nonoperating expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entries That Use Proprietary Fund Accounting*, and GASB Statement No. 34.

(2) Cash and Investments

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

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2011 and 2010

College

	<u>2011</u>	<u>2010</u>
Cash on hand	\$ 11,475	11,275
Deposits with financial institutions	249,141	3,112,835
Investments with New Mexico State Treasurer	<u>93,226,644</u>	<u>98,722,391</u>
Total cash and investments	<u>\$ 93,487,260</u>	<u>101,846,501</u>

Foundation

	<u>2011</u>	<u>2010</u>
Cash, including money market accounts	\$ 1,023,135	917,737
Federal agency obligations	1,707,845	836,155
Corporate obligations	605,082	317,974
Certificates of deposit	1,087,530	—
Marketable securities	<u>2,539,981</u>	<u>2,390,550</u>
Total cash and investments	<u>\$ 6,963,573</u>	<u>4,462,416</u>

(a) Investment Policy

The College's investment policy is set forth by the Governing Board pursuant to Resolution 1998-51. The policy provides investment standards for long-term, short-term, and other types of investments, and collateral requirements in accordance with 6-10-30 NMSA 1978.

The Foundation's Finance and Investment Committee has established a new investment policy, approved in October 2009, to provide for the prudent management of invested funds with a reasonable phase-in period. The fundamental goal of the policy is to produce the maximum return possible while preserving the Foundations' assets. Qualified investments under the investment policy include investments in equity securities listed on the American Stock Exchange, New York Stock Exchange, or NASDAQ with a Standard Poor's (S & P) rating of B+ or better; corporate bonds with an S & P rating of BBB/Baa or better; U.S. Treasury bills and notes and U.S. agency securities; investment in foreign debt and equity, limited to twenty percent of the total portfolio; and certificates of deposit, provided such amounts are fully insured by the Federal Deposit Insurance Corporation (FDIC). All investments will be diversified to minimize risk. No single issuer of debt or equity is allowed to comprise more than five percent of the total portfolio except for U.S. obligations.

The CNM Foundation Investment Policy Statement (IPS) allows for the investment in U.S. Treasuries and U.S. Government backed securities. On June 30, 2011, the portfolio consisted of 19.42% of U.S. Treasuries. The IPS provides that no single issuer of debt or equity should comprise more than 5% of the total portfolio except for U.S. obligations. Given the current credit crisis and the state of the markets, money managers have communicated to the Foundation that holding such an amount was deemed prudent at this time.

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Notes to Basic Financial Statements

June 30, 2011 and 2010

The following table sets out the asset allocation percentage guidelines for the Foundation's portfolio:

<u>Asset class</u>	<u>Minimum</u>	<u>Maximum</u>
Equities	20	70
Value stocks	35	65
Growth stocks	35	65
International	5	25
Bonds	20	70
Cash and equivalents	2	40

(b) 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 following table provides information on Standard & Poor's credit rating associated with the College's investment securities at June 30, 2011:

	<u>Rating</u>	<u>Fair value</u>
<i>NewMexiGROW</i> LGIP	AAAm	\$ 93,226,644
Total rated securities		\$ 93,226,644

The following table provides information on the credit ratings associated with the Foundation's investment in debt securities at June 30, 2011:

	<u>Rating</u>	<u>Fair value</u>
Federal obligations		
US Treasury Notes	AAA	\$ 659,020
US Treasury Bonds	AAA	181,565
US Treasury Bills	AAA	424,560
Federal Home Loan Mtg Corp	AAA	252,168
Federal National Mortgage Association	AAA	190,532
		<u>1,707,845</u>
Corporate obligations		
Corporate bonds	AA+	122,465
Corporate bonds	AA	59,657
Corporate bonds	A+	119,443
Corporate bonds	A & A-	303,517
		<u>605,082</u>
Total rated securities		\$ <u>2,312,927</u>

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The College has invested \$93,226,644 at June 30, 2011 and \$98,722,391 at June 30, 2010 in investment pools managed by the State Treasurer. These investments are rated AAAM by Standard & Poor. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. The College is not exposed to credit risk and therefore has no policy regarding credit risk.

(c) 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.

<u>Entity</u>	<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities</u>		
			<u>Less than 1 year</u>	<u>1 - 5 years</u>	<u>5 years +</u>
College	<i>New MexiGROW</i> (LGIP)	\$ 93,226,644	93,226,644	—	—
Foundation	Federal agency obligations	1,707,845	544,574	861,648	301,623
Foundation	Corporate obligations	605,082	—	292,766	312,316

The State Treasurer manages its exposure for the *New MexiGROW* Local Government Investment Pool (LGIP) for declines in fair values by limiting the weighted average maturity (WAM) of its investment portfolio to 60 days or less. The WAM for the LGIP at June 30, 2011 was 36 days.

(d) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the College or the Foundation's investment in a single type of security. On June 30, 2011 the Foundation had 19.42% of the portfolio in U.S. Treasuries which is allowed by the updated Investment Policy.

(e) 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

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not be able to recover the value of its investment or collateral securities that are in the possession of another party.

All deposits 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 by using one of two methods. Under the Dedicated Method, 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. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the College, these deposits are considered to be held by the College in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the College or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the College under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of New Mexico enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The College is not exposed to credit risk and therefore has no policy regarding credit risk.

At June 30, 2011 and 2010, the College's deposits had a carrying amount of \$249,141 and \$3,112,835, respectively, and a bank balance of \$2,251,089 and \$4,508,308, respectively. Of the bank balance, \$250,000 was covered by federal depository insurance. At June 30, 2011 and 2010, \$2,001,089 and \$4,258,308, respectively, was collateralized with securities held by the College's financial institution's trust department in the College's name under the Dedicated Method, and at June 30, 2011 and 2010, \$93,226,644 and \$98,722,391 was covered by collateral held under the Pooling Method, respectively.

Of the investments in federal agency and corporate obligations and marketable securities, the Foundation did not have custodial risk exposure at June 30, 2011 and 2010, because the related securities are held by the Foundation's brokerage firm, which is also the counterparty for these securities.

The Foundation's investment portfolio is covered by the Securities Investor Protection Corporation (SIPC), up to \$500,000 of protection, of which \$100,000 may be cash for each protected account. Additionally, the brokerage firm provides supplemental protection on eligible assets over \$500,000 through underwriters, subject to aggregate loss limit of \$600 million. A per client limit for cash is \$1,900,000. Note that SIPC does not protect against losses in the portfolio value due to market fluctuations.

At June 30, 2011, the Foundation's bank balance was \$460,113 which was covered by federal depository (FDIC) insurance.

The balance of the money market mutual funds accounts at June 30, 2011 was \$200,640. Money market mutual funds are short-term investments that are classified as cash equivalents.

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The balance of the certificates of deposit at June 30, 2011 was \$1,462,346. Certificates of deposit are insured by FDIC up to \$250,000 per account, per depository institution. All certificates of deposits at June 30, 2011 were maintained under the FDIC insurance limit per account and per depository institution. Certificates of deposits that mature within 90 days are classified as cash equivalents and certificates of deposit with a maturity of 90 days or more are classified as investments.

At June 30, 2010, the Foundation's bank balance was \$352,978 which was covered by FDIC insurance.

The balance of the money market mutual fund accounts at June 30, 2010 was \$664,803. There were no outstanding certificates of deposit at June 30, 2010.

(f) Foreign Currency Risk

Foreign currency risk is the potential risk of loss arising from investments denominated in foreign currencies when there are changes in exchange rates. The potential risk of loss arising from changes in exchange rates can be significant. At June 30, 2011, CNM and the Foundation held no investments denominated in foreign currencies and therefore had no foreign currency risk.

(3) Receivables

Receivables are shown net of allowances for doubtful accounts in the accompanying statement of net assets. At June 30, receivables consisted of the following:

	2011	2010
Current asset:		
Receivables	\$ 10,409,633	8,163,533
Allowance for doubtful accounts	(3,765,857)	(1,612,680)
Net receivables – current	\$ 6,643,776	6,550,853
Noncurrent receivables	\$ 1,896,609	1,631,110

Included in the 2011 amounts above is a \$4,948,759 mill levy receivable due from Bernalillo and Sandoval Counties, \$2,970,913 of contract and grant receivables, and \$528,205 in student receivables. Included in the 2010 amounts above is a \$4,835,589 mill levy receivable due from Bernalillo and Sandoval Counties, \$2,168,809 of contract and grant receivables, and \$1,008,740 in student receivables.

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(4) Capital Assets

Capital assets consist of the following:

	Year ended June 30, 2011			
	Balance, June 30, 2010	Additions and transfers	Dispositions and transfers	Balance, June 30, 2011
Capital assets not being depreciated:				
Land	\$ 27,330,554	—	—	27,330,554
Art	512,876	300	430	512,746
Construction in process	50,034,765	15,099,467	54,012,478	11,121,754
Depreciable capital assets:				
Land improvements	11,137,720	500,000	—	11,637,720
Buildings	123,864,871	53,224,813	—	177,089,684
Infrastructure	2,605,293	285,724	—	2,891,017
Furniture, fixtures, and equipment	30,253,833	2,926,695	2,774,731	30,405,797
Library books	3,040,138	238,865	146,743	3,132,260
	<u>248,780,050</u>	<u>72,275,864</u>	<u>56,934,382</u>	<u>264,121,532</u>
Less accumulated depreciation:				
Land improvements	3,432,608	582,319	—	4,014,927
Buildings	42,174,310	4,745,461	—	46,919,771
Infrastructure	438,798	191,416	—	630,214
Furniture, fixtures, and equipment	20,765,911	2,790,623	2,696,874	20,859,660
Library books	1,430,929	293,753	146,743	1,577,939
	<u>68,242,556</u>	<u>8,603,572</u>	<u>2,843,617</u>	<u>74,002,511</u>
Net carrying amount	<u>\$ 180,537,494</u>	<u>63,672,292</u>	<u>54,090,765</u>	<u>190,119,021</u>

The College capitalizes interest expense incurred during the period an asset is being prepared for its intended use. For the year ended June 30, 2011 and 2010, the College capitalized interest expense of approximately \$131,973 and \$612,960, respectively.

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	Year ended June 30, 2010			
	Balance, June 30, 2009	Additions and transfers	Dispositions and transfers	Balance, June 30, 2010
Capital assets not being depreciated:				
Land	\$ 25,207,276	2,123,278	—	27,330,554
Art	420,576	102,800	10,500	512,876
Construction in process	15,608,240	52,873,513	18,446,988	50,034,765
Depreciable capital assets:				
Land improvements	9,450,945	1,686,775	—	11,137,720
Buildings	109,510,270	14,354,601	—	123,864,871
Infrastructure	2,281,619	323,674	—	2,605,293
Furniture, fixtures, and equipment	26,761,434	4,274,218	781,819	30,253,833
Library books	2,958,852	239,150	157,864	3,040,138
	<u>192,199,212</u>	<u>75,978,009</u>	<u>19,397,171</u>	<u>248,780,050</u>
Less accumulated depreciation:				
Land improvements	2,924,022	508,586	—	3,432,608
Buildings	38,892,568	3,281,742	—	42,174,310
Infrastructure	291,871	146,927	—	438,798
Furniture, fixtures, and equipment	19,662,564	1,855,899	752,552	20,765,911
Library books	1,304,074	284,719	157,864	1,430,929
	<u>63,075,099</u>	<u>6,077,873</u>	<u>910,416</u>	<u>68,242,556</u>
Net carrying amount	\$ <u><u>129,124,113</u></u>	<u><u>69,900,136</u></u>	<u><u>18,486,755</u></u>	<u><u>180,537,494</u></u>

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(5) Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMPSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability, and life insurance coverage (benefits coverage), and property, casualty, and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the state of New Mexico. The College is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The College pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self-insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2011.

(6) Accrued Compensated Absences

The following is a summary of accrued compensated absences for the College for the years ended June 30, 2011 and 2010:

Year ended June 30, 2011					
	Balance, June 30, 2010	Additions	Deductions	Balance, June 30, 2011	Current portion
Accrued compensated absences	\$ <u>1,813,600</u>	<u>2,042,300</u>	<u>2,019,499</u>	<u>1,836,401</u>	<u>1,836,401</u>

Year ended June 30, 2010					
	Balance, June 30, 2009	Additions	Deductions	Balance, June 30, 2010	Current portion
Accrued compensated absences	\$ <u>1,829,103</u>	<u>2,010,704</u>	<u>2,026,207</u>	<u>1,813,600</u>	<u>1,813,600</u>

The liability for compensated absences is all current as the balance at year end is less than additions for the year.

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(7) Bonds Payable

The following is a summary of bonds payable transactions for the College for the years ended June 30, 2011 and 2010:

	Year ended June 30, 2011				
	Balance, June 30, 2010	Additions	Deductions	Balance, June 30, 2011	Current portion
Series 2006	\$ 22,825,000	—	1,000,000	21,825,000	1,750,000
Series 2009	22,000,000	—	1,750,000	20,250,000	6,750,000
Total bond principal	44,825,000	—	2,750,000	42,075,000	8,500,000
Bond premium	451,319	—	32,811	418,508	—
	\$ 45,276,319	—	2,782,811	42,493,508	8,500,000

	Year ended June 30, 2010				
	Balance, June 30, 2009	Additions	Deductions	Balance, June 30, 2010	Current portion
Series 2006	\$ 23,825,000	—	1,000,000	22,825,000	1,000,000
Series 2009	—	30,000,000	8,000,000	22,000,000	1,750,000
Total bond principal	23,825,000	30,000,000	9,000,000	44,825,000	2,750,000
Bond premium	32,138	451,992	32,811	451,319	—
	\$ 23,857,138	30,451,992	9,032,811	45,276,319	2,750,000

On September 12, 2006, the College issued \$30,000,000 of General Obligation (Limited Tax Bonds) – Series 2006 (2006 Bonds). The bonds were issued for erecting and furnishing, constructing, purchasing, remodeling and equipping buildings and utility facilities and making other real property improvements or purchasing grounds throughout the district. The Bonds were authorized at an election held February 7, 2006. The bond funds are being used to fund four major capital outlay projects: an instructional facility on the northwest side of the district; a Main Campus Classroom and Technology Building; the Montoya Campus Bookstore and drainage improvements; and Southwest Mesa Land acquisition and Infrastructure development. The Bonds were also used to fund various renewal and replacement projects. The 2006 Bonds bear interest at rates ranging from 4.00% to 5.00% and are payable from revenues generated by a separate district mill levy approved by the College’s district voters on February 7, 2006. The 2006 Bonds mature through August 15, 2021. Bonds maturing on or after August 15, 2015 are subject to redemption prior to their maturity at the option of the College after August 15, 2014. At year-end, the College had spent all of the 2006 Bonds proceeds. The bonds are under the requirements of the federal arbitrage regulations.

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On August 19, 2009, the College issued \$30,000,000 of General Obligation (Limited Tax Bonds) – Series 2009 (2009 Bonds). The bonds were issued for erecting, furnishing, constructing, purchasing, remodeling and equipping buildings and utility facilities and making other real property improvements or purchasing grounds throughout the district. The Bonds were authorized at an election held February 7, 2006. The bond funds are being used to fund three major capital outlay projects: purchase and renovation of the Alameda Business Property; the Jeanette Stromberg Renovation Project; and the Westside Phase III instructional facility. The Bonds are also being used to fund various renewal and replacement projects. The 2009 Bonds bear interest at rates ranging from 2.50% to 4.00% and are payable from revenues generated by a separate district mill levy approved by the College’s district voters on February 7, 2006. The 2009 Bonds mature through August 15, 2024. Bonds maturing on or after August 15, 2020 are subject to redemption prior to their maturity at the option of the College at any time on or after August 15, 2019. At year-end, the College had spent \$23,150,469 of the 2009 Bonds proceeds. The bonds are under the requirements of the federal arbitrage regulations.

Debt service requirements at June 30, 2011 are as follows:

General Obligation Bond Series 2006			
Fiscal year ending June 30	Principal	Interest	Total debt service
2012	1,750,000	877,950	2,627,950
2013	1,750,000	807,950	2,557,950
2014	1,825,000	736,450	2,561,450
2015	1,875,000	653,075	2,528,075
2016-2019	7,650,000	1,803,925	9,453,925
2020-2022	6,975,000	466,475	7,441,475
	\$ 21,825,000	5,345,825	27,170,825
General Obligation Bond Series 2009			
Fiscal year ending June 30	Principal	Interest	Total debt service
2012	6,750,000	526,125	7,276,125
2013	1,200,000	409,875	1,609,875
2014	1,200,000	379,875	1,579,875
2015	1,100,000	351,125	1,451,125
2016-2019	4,600,000	1,082,125	5,682,125
2020-2025	5,400,000	657,812	6,057,812
	\$ 20,250,000	3,406,937	23,656,937

The maximum debt of the College may not exceed 3% of the assessed valuation of the District or approximately \$490,000,000.

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(8) 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 retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy

Effective July 1, 2009 through June 30, 2011, plan members were required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.4% of their gross salary. The College was required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 10.9% of the gross covered salary of employees earning more than \$20,000 annually. Effective July 1, 2011, plan member are required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually are required to contribute 11.15% of their gross salary. The College is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 9.15% of the gross covered salary of employees earning more than \$20,000 annually. 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, 2011, 2010, and 2009, were \$6,916,650, \$7,061,891, and \$7,286,727, respectively, which equal the amount of the required contributions for each fiscal year.

403(b)

In addition to the ERA plan, the College sponsored a 403(b) defined savings contribution plan for its employees. The College froze the plan on December 31, 2008. The College did not contribute or match any funds in the 403(b) savings program. The total amount of employee contributions for the fiscal year 2009 was approximately \$241,532.

457(b)

In March 2002, the Central New Mexico Community College Governing Board adopted the State of New Mexico's Deferred Compensation Plan. The 457 Deferred Compensation plan was implemented in Fall 2003 and provides a voluntary retirement savings option for all employees with the exception of work-study student employees. Under the plan in calendar year 2011, employees may voluntarily contribute up to a maximum of \$16,500 if under age 50, and up to a maximum of \$22,000 if the employee is 50 or older. The College does not contribute or match any funds in the 457(b) savings program. The total amount of employee contributions for the fiscal years 2011 and 2010 was approximately \$1,703,486 and \$650,485, respectively.

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(9) 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, NMSA1978). 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.

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The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	1.834%	.917%
FY13	2.000%	1.000%

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The College's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$1,076,144, \$810,749 and \$812,939, respectively, which equal the required contributions for each year.

(10) Commitments and Contingencies

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

The College is party to various legal proceedings in the normal course of business. In management's opinion, after consultation with outside legal counsel, the disposition of these matters will not materially affect the financial position of the College.

Grants, bequests, and endowments require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions, or in the case of endowments, failure to continue to fulfill them, could result in the return of the funds to grantors. Although that is a possibility, management of the College and the Foundation deem the contingency remote, since by accepting the gifts and the terms, it has accommodated the objectives of the organization to the provisions of the gift.

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At June 30, 2011, the College has \$57,525,524 of outstanding capital commitments to contractors and architects related to the following projects:

Building Renewal & Replacement Small Projects	\$ 281,525
Student Services Ctr Renovation	942,938
Cable Plant Upgrade	59,039
Alameda Property Remodel	1,318,952
Media Production Studio	5,686
Student Resource Center	1,188,302
Trades Mechanical Upgrade	188,975
Rio Rancho Instructional Facility	524,490
Enrollment Management Area	26,905
eXtender /Image Software Project	11,072
Voice System	13,123
Main Bookstore & Student Activities	7,865,501
H Building Renovation	3,732,482
Tom Wiley Building Renovation	4,059,116
LES Bldg Stairwell Improvements	75,905
HED Equipment Renewal	26,950
Network Infrastructure Upgrade	26,349
Data Processing Equipment	32,142
Enterprise Technology Upgrades	114,743
HVAC SB & Max Salazar	2,719
Southwest Campus Master Plan	156,204
MS Elevator Replacement	156,845
S-Buiding Renovation	1,437,435
JS-Building Renovation	15,105,139
APS Security Bldg Renovation	935
WS Data Center Upgrade	114,067
WS Phase III	20,005,672
JMMC Bookstore	39,653
JMMC Building	12,660
	\$ 57,525,524
	\$ 57,525,524

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Notes to Basic Financial Statements

June 30, 2011 and 2010

(11) Leases

In fiscal year 2010, the College purchased land and buildings; a private company leases a majority of one building, which is recorded at \$5.6 million with accumulated depreciation of approximately \$211,000. The term of the lease is from January 2010 to September 30, 2014. The future minimum receipts are as follows:

2012	\$	712,057
2013		719,178
2014		726,369
2015		182,043
		<hr/>
	\$	<u>2,339,647</u>

(12) Subsequent Event

On October 24, 2011, the College issued \$33,360,000 of General Obligation (Limited Tax Bonds) – Series 2011 (2011 Bonds). The bonds were issued for the purpose of erecting, furnishing, constructing, purchasing, remodeling and equipping buildings and utility facilities and making other real property improvements or purchasing grounds. The Bonds were authorized at an election held February 1, 2011. The bond funds are being used to fund various capital outlay projects: renovation of the Jeanette Stromberg building; the L building remodel; and the A building renovation. The Bonds will also be used to fund various renewal and replacement projects. The 2011 Bonds bear interest at rates ranging from 2.50% to 4.00% and are payable from revenues generated by a separate district mill levy approved by the College’s district voters on February 1, 2011. The 2011 Bonds mature through August 15, 2026. Bonds maturing on or after August 15, 2022 are subject to redemption prior to their maturity at the option of the College at any time on or after August 15, 2021. The bonds are under the requirements of the federal arbitrage regulations.

SUPPLEMENTARY INFORMATION SECTION

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Revenues, Expenditures, and Changes in Net Assets – Budget and Actual
Unrestricted and Restricted – All Operations

Year ended June 30, 2011

	<u>Original budget</u>	<u>Final budget</u>	<u>Actuals (budgetary basis)</u>	<u>Variance favorable (unfavorable)</u>
Beginning balance budgeted	\$ 42,832,055	71,296,255	71,296,255	
Revenues:				
Tuition	15,545,549	16,612,889	16,655,356	42,467
Miscellaneous fees	5,379,532	5,781,532	5,985,003	203,471
State government appropriations	49,455,600	47,851,100	47,851,100	—
Local government appropriations	42,677,425	44,077,425	45,123,822	1,046,397
Federal government contracts/grants	43,010,472	51,435,031	43,330,672	(8,104,359)
State government contracts/grants	7,349,880	7,928,900	6,845,231	(1,083,669)
Local government contracts/grants	15,766	5,309	—	(5,309)
Private contracts/grants	2,180,055	2,768,399	1,490,996	(1,277,403)
Endowments	79,124	43,481	43,481	—
Sales and services	5,314,625	5,723,311	4,895,824	(827,487)
Other	1,690,000	2,475,000	2,448,825	(26,175)
Capital outlay	31,000,000	12,350,000	6,194,370	(6,155,630)
Building renewal and replacement	75,000	75,000	72,169	(2,831)
Retirement of indebtedness	9,275,000	9,275,000	9,151,465	(123,535)
Total revenues	<u>213,048,028</u>	<u>206,402,377</u>	<u>190,088,314</u>	<u>(16,314,063)</u>
Expenditures:				
Instruction	64,372,109	64,762,857	59,919,852	4,843,005
Academic support	12,371,286	12,456,869	11,492,297	964,572
Student services	16,412,213	18,653,110	16,948,961	1,704,149
Institutional support	16,619,348	17,897,902	16,212,218	1,685,684
Operation and maintenance of plant	11,954,322	16,033,950	12,596,638	3,437,312
Student social and cultural activities	203,352	203,352	104,172	99,180
Public services	1,794,460	1,688,130	1,119,778	568,352
Internal services	223,418	262,413	204,348	58,065
Student aid grants and stipends	42,495,052	51,963,452	43,885,809	8,077,643
Auxiliary enterprise	2,021,542	2,390,578	2,236,915	153,663
Capital outlay	32,750,000	19,450,000	13,917,507	5,532,493
Building renewal and replacement	15,500,000	8,000,000	5,726,752	2,273,248
Retirement of indebtedness	10,650,000	4,401,000	4,269,808	131,192
Total expenditures	<u>227,367,102</u>	<u>218,163,613</u>	<u>188,635,055</u>	<u>29,528,558</u>
Transfers to (from):				
Instruction and general	(4,475,135)	(9,670,110)	(9,670,110)	—
Student social and cultural	(3,600)	(3,600)	(3,600)	—
Public service	(209,548)	(293,583)	(293,583)	—
Internal service	—	—	—	—
Student aid and grants	1,768,695	1,847,705	1,847,705	—
Auxiliary enterprise	(100,000)	(100,000)	(100,000)	—
Capital outlay	(6,000,000)	(5,300,000)	(5,300,000)	—
Building renewal and replacement	9,019,588	13,519,588	13,519,588	—
Total transfers	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Change in net assets (budgetary basis)	<u>(14,319,074)</u>	<u>(11,761,236)</u>	<u>1,453,259</u>	<u>\$ 13,214,495</u>
Net assets (budgetary basis)	<u>\$ 28,512,981</u>	<u>59,535,019</u>	<u>72,749,514</u>	

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual

Year ended June 30, 2011

Reconciliation of change in net assets (budgetary basis)	
to change in net assets (GAAP basis):	
Change in net assets (budgetary basis)	\$ 1,453,259
Adjustments to reconcile budgetary basis to GAAP basis:	
Net change in funds not included in budgetary	
basis which are included in GAAP basis:	
Endowment fund	(35,861)
Investment in plant fund	16,044,185
Depreciation expense not included in budgetary basis	(8,603,572)
Increase (decrease) revenue due to conversion to full accrual	
accounting for GAAP basis:	
Summer school tuition	(355,137)
GASB 33 revenue	(7,668)
Mill levy revenue	132,659
Primary institution increase in net assets	<u>\$ 8,627,865</u>

Note A:

The annual budget for the College is adopted on a basis consistent with the reporting requirements of the New Mexico Higher Education Department (NMHED), which are based on the fund accounting principles which were applicable prior to GASB Statements No. 34, 35, 37, and 38 (Budgetary Basis). By contrast, the College prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP Basis).

Annual budgets are adopted for the current funds, unexpended plant fund, renewals and replacement plant fund, and retirement of indebtedness plant fund. The budget is prepared by management and approved by the Governing Board. The budget is then submitted to and approved by the NMHED and the State Budget Division of the Department of Finance and Administration. All annual appropriations lapse at year-end. Changes from one functional level to another require the approval of the NMHED. Amendments are adopted in a legally prescribed manner.

Budgetary control is exercised over each of the following functions; instruction, academic support, student services, institutional support, operation and maintenance, student social and cultural development, public service, internal service, student aid grants and stipends, auxiliary enterprise, capital outlay, building renewal and replacement, retirement of indebtedness, and each item of transfer between funds and/or functions. Expenses and transfers in each item of budgetary control may not exceed the amount in the final budget.

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Revenues, Expenditures, and Changes in Net Assets – Budget and Actual
Unrestricted Instruction and General

Year ended June 30, 2011

	<u>Original budget</u>	<u>Final budget</u>	<u>Actuals (budgetary basis)</u>	<u>Variance favorable (unfavorable)</u>
Beginning balance budgeted	\$ 11,942,119	22,968,962	22,968,962	
Revenues:				
Tuition	15,545,549	16,612,889	16,655,356	42,467
Miscellaneous fees	5,174,380	5,563,380	5,811,073	247,693
State government appropriations	49,294,400	47,695,100	47,695,100	—
Local government appropriations	42,677,425	44,077,425	45,123,822	1,046,397
Federal government contracts/grants	140,000	140,000	192,222	52,222
State government contracts/grants	404,042	729,072	292,001	(437,071)
Local government contracts/grants	—	—	—	—
Private contracts/grants	10,000	10,000	9,768	(232)
Endowments	—	—	—	—
Sales and services	1,596,100	1,758,100	1,341,821	(416,279)
Other	1,590,000	2,375,000	2,346,039	(28,961)
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total revenues	<u>116,431,896</u>	<u>118,960,966</u>	<u>119,467,202</u>	<u>506,236</u>
Expenditures:				
Instruction	58,497,519	59,301,244	55,184,937	4,116,307
Academic support	10,274,988	10,731,824	10,139,031	592,793
Student services	14,903,946	16,332,996	15,201,915	1,131,081
Institutional support	15,869,143	17,258,033	15,801,410	1,456,623
Operation and maintenance of plant	11,954,322	15,761,725	12,568,265	3,193,460
Student social and cultural activities	—	—	—	—
Public services	—	—	—	—
Internal services	—	—	—	—
Student aid grants and stipends	—	—	—	—
Auxiliary enterprise	—	—	—	—
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total expenditures	<u>111,499,918</u>	<u>119,385,822</u>	<u>108,895,558</u>	<u>10,490,264</u>
Transfers to (from):				
Instruction and general	—	—	—	—
Student social and cultural	—	—	—	—
Public service	(209,548)	(280,983)	(280,983)	—
Internal service	—	—	—	—
Student aid and grants	1,665,095	1,731,505	1,731,505	—
Auxiliary enterprise	—	—	—	—
Capital outlay	—	700,000	700,000	—
Building renewal and replacement	3,019,588	7,519,588	7,519,588	—
Total transfers	<u>4,475,135</u>	<u>9,670,110</u>	<u>9,670,110</u>	<u>—</u>
Change in net assets (budgetary basis)	456,843	(10,094,966)	901,534	\$ <u>10,996,500</u>
Net assets (budgetary basis)	\$ <u>12,398,962</u>	<u>12,873,996</u>	<u>23,870,496</u>	

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Revenues, Expenditures, and Changes in Net Assets – Budget and Actual
Restricted Instruction and General

Year ended June 30, 2011

	<u>Original budget</u>	<u>Final budget</u>	<u>Actuals (budgetary basis)</u>	<u>Variance favorable (unfavorable)</u>
Beginning balance budgeted	\$ —	—	—	
Revenues:				
Tuition	—	—	—	—
Miscellaneous fees	—	—	—	—
State government appropriations	—	—	—	—
Local government appropriations	—	—	—	—
Federal government contracts/grants	5,814,421	5,335,755	4,925,024	(410,731)
State government contracts/grants	2,657,741	2,689,069	2,133,577	(555,492)
Local government contracts/grants	—	—	—	—
Private contracts/grants	1,678,074	2,350,561	1,169,711	(1,180,850)
Endowments	79,124	43,481	43,481	—
Sales and services	—	—	2,615	2,615
Other	—	—	—	—
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total revenues	<u>10,229,360</u>	<u>10,418,866</u>	<u>8,274,408</u>	<u>(2,144,458)</u>
Expenditures:				
Instruction	5,874,590	5,461,613	4,734,915	726,698
Academic support	2,096,298	1,725,045	1,353,266	371,779
Student services	1,508,267	2,320,114	1,747,046	573,068
Institutional support	750,205	639,869	410,808	229,061
Operation and maintenance of plant	—	272,225	28,373	243,852
Student social and cultural activities	—	—	—	—
Public services	—	—	—	—
Internal services	—	—	—	—
Student aid grants and stipends	—	—	—	—
Auxiliary enterprise	—	—	—	—
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Retirement of indebtedness	—	—	—	—
Total expenditures	<u>10,229,360</u>	<u>10,418,866</u>	<u>8,274,408</u>	<u>2,144,458</u>
Transfers to (from):				
Instruction and general	—	—	—	—
Student social and cultural	—	—	—	—
Public service	—	—	—	—
Internal service	—	—	—	—
Student aid and grants	—	—	—	—
Auxiliary enterprise	—	—	—	—
Capital outlay	—	—	—	—
Building renewal and replacement	—	—	—	—
Total transfers	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Change in net assets (budgetary basis)	—	—	—	\$ <u>—</u>
Net assets (budgetary basis)	\$ <u>—</u>	<u>—</u>	<u>—</u>	

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE

Schedule of Pledged Collateral

June 30, 2011

THE INSTITUTE:

Wells Fargo Bank checking accounts	\$	2,251,089
FDIC Insurance		(250,000)
		<u>2,001,089</u>
Uninsured public funds	\$	<u>2,001,089</u>
50% collateral requirement \$729,472	\$	364,736
102% sweep collateral requirement \$1,271,617		<u>1,297,049</u>
Total collateral requirements	\$	<u>1,661,785</u>

	<u>CUSIP</u>	<u>Rate</u>	<u>Maturity</u>	
Collateral (at fair value):				
Fed Home Loan Mtg Corp Pool #G01838	3128LXBF6	5.00%	7/1/2035	7,113,093
Fed Natl Mtg Assn Pool #984845	31415PBN7	6.00%	7/1/2038	6,126
Fed Natl Mtg Assn Pool #995018	31416BK72	5.50%	6/1/2038	893,122
GN - II	36202E4H9	5.00%	4/1/2039	<u>1,297,049</u>
Total collateral				<u>9,309,390</u>
Over collateral requirement				<u>\$ 7,647,605</u>

Wells Fargo Banks has pledged the above collateral which is being held in safekeeping by Wells Fargo Bank California.

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Individual Deposit and Investment Accounts
June 30, 2011

The College:

<u>Name of depository</u>	<u>Account name</u>	<u>Type of account</u>	<u>Bank balance</u>	<u>Book balance</u>
Cash on Hand	Petty cash and change fund	Cash	\$ -	\$ 11,475
Wells Fargo Bank	Student federal fund	Checking	320,021	(40,156)
	Operational account	Checking	1,292,501	237,170
	Stafford loans	Checking	579,506	50,195
	Perkins Loans	Checking	58,649	59,440
	Payroll	Checking	-	(38,994)
	Student refund	Checking	-	(18,926)
	Bank of America	Direct Deposit	Checking	412
Total cash			<u>2,251,089</u>	<u>260,616</u>
Office of the State Treasure	Current fund	Investment	40,124,849	40,124,849
	Renewal and replacement	Investment	24,365,670	24,365,670
	Retirement of indebtedness	Investment	9,059,669	9,059,669
	Plant	Investment	18,035,023	18,035,023
	Endowment	Investment	1,641,433	1,641,433
Total investments			<u>93,226,644</u>	<u>93,226,644</u>
Total cash and investments			<u>\$ 95,477,733</u>	<u>\$ 93,487,260</u>

The Foundation:

<u>Name of depository</u>	<u>Account name</u>	<u>Type of account</u>	<u>Bank balance</u>	<u>Book balance</u>
Wells Fargo	Operational account	Checking	\$ 289,737	\$ 277,303
Wells Fargo	Operational account	Savings	170,376	170,376
Morgan Stanley		Money Market Mutual fund	200,640	200,640
Morgan Stanley		Certificates of Deposit	374,816	374,816
Total cash			<u>1,035,569</u>	<u>1,023,135</u>
Morgan Stanley	Federal Agency Obligations			
	Federal National Mtg Assn	Investment	190,532	120,143
	Federal Home Loan Mtg Corp	Investment	252,168	322,557
	US Treasury Notes	Investment	659,020	751,357
	US Treasury Bonds	Investment	181,565	89,228
	US Treasury Bills	Investment	424,560	424,560
			<u>1,707,845</u>	<u>1,707,845</u>
	Certificates of Deposit	Investment	1,087,530	1,087,530
	Corporate obligations	Investment	605,082	605,082
	Mutual Funds	Investment	353,399	353,399
	Stocks	Investment	2,186,582	2,186,582
Total investments			<u>5,940,438</u>	<u>5,940,438</u>
Total cash and investments			<u>\$ 6,976,007</u>	<u>\$ 6,963,573</u>

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Period July 1, 2010 through June 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or pass-through number	Federal Expenditures
U.S. Department of Education:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grant 2010-2011	84.007	P007A102635	\$ 434,277
Academic Competitive Grant	84.375	P375A102545	176,721
Federal Work Study	84.033	P033A102635	440,955
Federal Pell Grant 2010-11	84.063	P063P102545	37,396,593
Federal Pell Grant 2009-10	84.063	P063P092545	(150,836)
Federal Pell Grant 2008-09	84.063	P063P082545	(2,366)
Federal Pell Grant 2007-08	84.063	P063P072545	(718)
			38,294,626
U.S. Department of Education Pass-through from Santa Fe Community College			
El Colegio	84.031S	P031S040038	6,718
TRIO Student Support Services Grant	84.042A	P042A050610	248,470
			255,188
U.S. Department of Education Pass-through from New Mexico Department of Education:			
Perkins-Vocational Expansion 2010-11	84.048	001.3.2.1.855	1,159,004
Perkins-Vocational Expansion 2009-10	84.048	001.3.2.1.855	168,264
Perkins-Vocational Expansion 2009-10 Redistribution	84.048	001.3.2.1.855	21,966
			1,349,234
America Recovery & Reinvestment Act Education Stabilization Fund	84.394A	S394A090032 A	2,305,640
Adult Basic Education	84.002	019888	343,388
SSIG - Federal Portion	84.069A & B	P069A030033	82,153
U.S. Department of Education Pass-through from Office of Special Education and Rehabilitative Services			
Division of Vocational Rehabilitation DELTA	84.126	1888	274
			42,630,503
National Science Foundation:			
SCME	47.076	DUE-0902411	25,132
Geographic Information	47.076	DUE-0801893	5,963
			31,095
National Science Foundation Pass-through from Center for Occupational Research & Development			
OP-TEC	47.076	DUE-0603275	5,890
Small Business Administration Pass-through from New Mexico Small Business Development Center			
Small Business Development Center-SV	59.037	9-7620-0032-11	21,689
Small Business Development Center-Yale	59.037	6-7620-0032-11	21,689
NMSB International Trade	59.037	1-603001-Z-0139	759
			44,137
Corporation for National and Community Service			
Civic Engagement	94.005	06LHHNM001	33,088
AmeriCorps	94.013	44-0103-0-1-506	66,521
			99,609
U.S. Department of Health and Human Services			
Bioterrorism Preparedness	93.003	04/664.4200.00568	732
Cancer Early Detection	93.283	09/BCC/0200/0526	1,999
			2,731

STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Period July 1, 2010 through June 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or pass-through number	Federal Expenditures
U.S. Department of Health and Human Services Pass-through from University of New Mexico			
Academic Science Education & Research Training	93.859	K12GM088021	4,490
U.S. Department of Agriculture Pass-through from New Mexico State University			
Fit for Life	10.223	2007-38422-18027	41,152
U.S. Department of Labor			
NM Wired	17.268	WR-16380-07-60-A-35	142,009
NM OPTICS Wired	17.268	WR-16380-07-60-A-35	18,349
			160,358
U.S. Internal Revenue Service			
Volunteer Income Tax Assistance (VITA)	21.003	V10066	81,000
National Institute Standards Board through NM Manufacturing Extension Partnership			
	11.611	70NANB5BH1194	13,800
U.S. Department of Energy Pass Through from Salt Lake Community College			
Rocky Mountain Solar Training Consortium	81.087	DE-EE0002090	11,539
National Security Agency			
STARTALKing in Arabic	12.900	H98230-11-1-0032	11,662
Corporation for National and Community Service Pass through New Mexico Commission for Community Volunteerism			
Learn & Serve America in NM - Making a Difference Day	94.005	95-2720-0-1-506	486
Total federal awards			\$ 43,138,452

Note A:

During the year through 6/30/11, various lenders made loans to students under the Guaranteed Student Loan Program (which includes Stafford, Direct and Plus Loans):

	<u>CFDA Number</u>	<u>Disbursements</u>
Federal Direct Loan Program	84.268	\$ 47,391,633
Federal Family Education Loan Program	84.032	\$ (124,564)

Note B:

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Institute and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations

Note C:

Of the federal expenditures in the Schedule of Expenditures of Federal Awards, the College provided federal awards to sub recipients as follows:

<u>Program Title</u>	<u>Federal CFDA number</u>	<u>Amount provided to sub recipient</u>
New Mexico State University	94.005	\$ 2,594

SINGLE AUDIT AND OTHER INFORMATION



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

Governing Board
Central New Mexico Community College
Albuquerque, New Mexico

We have audited the financial statements of the business-type activities, the discretely presented component unit and related budgetary comparisons presented as supplemental information of the State of New Mexico Central New Mexico Community College (the "College") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 31, 2011. 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 Standard*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, listed as 11-1. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding 11-4.

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

This report is intended solely for the information and use of management, the audit committee, others within the College, the NM State Auditor, HED, the New Mexico Legislature, applicable federal grantors and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Kardas, Abeyta & Weiner, P.C.

October 31, 2011



Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Governing Board
Central New Mexico Community College
Albuquerque, New Mexico

Compliance

We have audited the State of New Mexico Central New Mexico Community College's (the College) compliance of 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, 2011. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 11-2 and 11-3.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 11-2 and 11-3. 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.

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

This report is intended solely for the information and use of management, the audit committee, others within the College, New Mexico State Auditor, HED and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kardas, Abeyta & Weiner, P.C.

October 31, 2011

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs

Section A - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Program or Cluster</u>
84.007, 84.063, 84.375 & 84.033, 84.268, 84.032	Student Financial Assistance - Cluster
84.002	Adult Basic Education
84.394A	ARRA - Education Stabilization

Dollar threshold used to distinguish between type A and type B programs:	\$1,294,154
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Auditee qualified as low-risk auditee?	No
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**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs

Section II - Financial Statement Findings

11-1 (Significant Deficiency) Unauthorized Change Orders by Facilities Department

Condition

The internal audit department completed a review of modified change requests (MCR) greater than \$3,000 for one specific construction project that were not approved by the Purchasing Director. These were considered "pay on invoice" violations by the Purchasing and Material Management Department.

- 24 out of 81 modified change requests greater than \$3,000 were not approved as required by the Buyer and the Purchasing Director; modification change requests greater than \$100,000 were not approved by the Buyer, Director of Purchasing, Comptroller and VP for Administration as required, for a total of \$617,299.63 unapproved modified change requests out of a total of \$882,643.50.

Criteria

The College's Supplementary Conditions to AIA Document A201-1997, Article 2, section 2.1.12 Owners Representatives, stipulates that the Owner's (Governing Board of the Central New Mexico Community College) Purchasing Director and Vice President for Administrative Services shall be the Owner's Representatives, authorized to act on the Owner's behalf with respect to oversight approval of the Construction Contract and Change Orders. The Purchasing Director further designates authority to the Owner's Facilities Construction Project Manager to recommend and approve change orders that do not exceed \$3,000.

Cause

Facilities Project Mangers are not following the appropriate policies and procedures as directed by the existing construction contract and internal construction policies and procedures.

Effect

Internal control policies are established to ensure that all construction change orders are properly reviewed and approved. The Facilities Project Managers approval of MCR's in excess of \$3,000 represents unauthorized change orders and circumvents the internal control process; which allows unauthorized construction work to proceed. 70% of all MCR's over \$3,000 on this project were unauthorized.

Recommendation

Facilities Project Mangers should review and comply with existing contract terms and internal control policies and procedures with regard to Modified Change Requests in excess of \$3,000.

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs

Section II - Financial Statement Findings (continued)

11-1 (Significant Deficiency) Unauthorized Change Orders by Facilities Department (continued)

Response

The audit finding stems from a misunderstanding between both the facilities and the purchasing department. With the new Purchasing Director on board and a move to begin using another construction delivery process, a need to review our existing policies and procedures began. Facilities and Purchasing had set up meetings to discuss the need for changes to the construction contracts, CMAR contracts, owner representatives, and dollar threshold amount within change orders. A meeting was held with the Vice President of Administration, legal counsel, facilities and purchasing. At the end of the meeting, CNM facilities believed that changes discussed applied to existing contracts under construction. Purchasing was under the understanding that the changes discussed applied only to the new Construction Manager at Risk processes. With no written minutes or follow up, both departments left the meeting with different understanding of the changes proposed. With new project manager staff, and with projects under the old system and new projects under a new system, project managers began confusing the dollar limits for approvals. As a result, the change order signature approval process, began to breakdown due to the different contract requirements.

As a result of this confusion, the department has taken two approaches to correct the problem. The first is the hiring of an independent external consultant who will be reviewing the contract documents and CNM policies and procedures to identify areas that need attention to allow for a more seamless process. The second approach is a small Lean Team has been created to review and revise our change order processes and speed up the time it takes to get a vendor paid for change orders. This team consists of representation from CNM's Facilities, Budget, Purchasing, Business Office and Planning departments. The team is currently gathering information from other institution and agencies to see what processes and time limits they have in regards to change orders. Another aspect of the lean team is to ensure a buyer attends all the project construction meetings (as practicable) to ensure compliance with the contracts and a training of project managers regarding procurement information is currently taking place on existing contracts and will continue as new process changes are adopted. This will allow CNM to address the audit issues and ensure that compliance is adhered too.

**Section II - Financial Statement Findings
Central New Mexico Community College Foundation**

None.

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs

Section III - Federal Award Findings and Questioned Costs

Department of Education

CFDA #'s: 84.007, 84.032, 84.038, 84.063, 84.268, 84.375

Program: Student Financial Assistance Cluster - Ability To Benefit (Student Eligibility)

FY 2010-2011

Pass Through Entity - N/A

11-2 (Significant Deficiency) Student Eligibility Finding

Condition

During our review of internal audit reports, we noted the following instances of non-compliance:

Fraudulent Ability To Benefit (ATB) Accuplacer test scores.

- The CNM Internal Audit Department conducted an investigation concerning fraudulent Accuplacer Test Scores related to ATB for title IV Funds. The investigation centered around one CNM Assessment Supervisor who was allegedly altering Accuplacer Scores in the Banner System for the period of 1/1/2007 to 1/23/2011. Seventeen students with fraudulent test scores received a total of \$106,942 in federal and state financial aid.

CNM Assessment Staff incorrectly keyed test scores in Banner.

- Three students tested were keyed as passing when in fact they had failed to meet the minimum passing ATB scores. Due to these keying errors, \$15,498 of financial aid was received by these students.

Students awarded financial aid without passing ATB Accuplacer Test Scores.

- Two students were awarded \$37,148 in federal and state financial aid without a passing ATB score in English.

Criteria

To receive FSA funds, a student must qualify to study at the postsecondary level. If the student does not have a high school diploma or equivalent and did not complete secondary school in a home school setting, they can still qualify for aid by passing a Department-approved "ability-to-benefit" test. (34 CFR Part 668 Subpart J, Sections 141-156).

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs

Section III - Federal Award Findings and Questioned Costs (continued)

11-2 (Significant Deficiency) Student Eligibility Finding (continued)

Cause

The fraudulent test scores were a direct result of fraudulent activity by a supervisor at CNM's Assessment Office. The incorrectly keyed test scores and students receiving aid without a passing ATB Accuplacer Test Score were a result of insufficient monitoring and review of data input.

Effect

The College was not in compliance with student eligibility requirements for Title IV Funds. As a result of this non-compliance, the College has returned Federal and State financial aid in the amount of \$159,588.

No extrapolation required. The scope of the internal audit investigation included 100% of Accuplacer test transactions for those receiving financial aid during the period of July 1, 2007 to January 23, 2011.

Recommendation

Personnel responsible for oversight should communicate the federal requirements and criminal ramifications of fraudulent test score entry. Personnel responsible for oversight should implement a formalized review of data entry and review of test scores prior to award of federal financial aid. In addition, the CNM Assessment Office should consider performing spot checks on data entry and test scores on a routine basis.

Response

In response to fraudulent ATB Accuplacer Test Scores, the College initiated an investigation that reviewed 100% of CNM's thirteen Assessment employees and 19,461 test transactions recorded from July 1, 2007 to January 23, 2011. The additional findings, the incorrectly keyed test scores and financial aid awarded to students without passing ATB scores, were identified during this investigation.

CNM has contacted the Office of the Inspector General, Department of Education, and the New Mexico State Auditor with regards to the fraudulent activity. CNM continues to support investigation by outside parties. In addition, CNM has returned all questioned costs to the funding agencies and has set up student receivables for those amounts.

In addition, the Assessment and Financial Aid Offices have determined that additional identifiers are needed to improve the SOATEST/RSITEST form. These new identifiers will include the accuplacer scores earned by the student and the designation "ATB" will be included next to the score. This will help Financial Aid Office personnel determine if the student's test were for ATB status.

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs

Section III - Federal Award Findings and Questioned Costs (continued)

Department of Education

CFDA #: 84.002

FY 2010-2011

Pass Through Entity - New Mexico Public Education Department

Program: Adult Basic Education

11-3 (Significant Deficiency) Adult Basic Education

Condition

During our compliance test work of the Adult Basic Education program, we noted the following instances of non-compliance in our test of twenty-eight attendance reports:

- Two separate instructors did not sign the monthly attendance reports for one month.

Criteria

Under grant agreement "Agreement for the Operation of an approved Adult Basic Education program", the College has established reporting requirements regarding monthly attendance reports. Monthly attendance reports **MUST** be signed by the instructor.

Cause

Due to volume, numerous instructors, and clerical errors, all of the proper forms were not properly completed and authorizations were not affixed.

Effect

The College was not in compliance with the ABE procedures and regulations set by the College and the U.S. Department of Education.

If we extrapolate our findings to the overall ABE course population, it is probable that 20 attendance reports for ABE courses are not signed by the instructor.

Recommendation

Personnel responsible for the Adult Basic Education program should monitor policies and procedures to ensure compliance with the criteria set by the College and the U.S. Department of Education.

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs

Section III - Federal Award Findings and Questioned Costs (continued)

Department of Education

CFDA #: 84.002

FY 2010-2011

Pass Through Entity - New Mexico Department of Education

Program: Adult Basic Education

11-3 (Significant Deficiency) Adult Basic Education (continued)

Response

The program director has developed a draft of a new Attendance Reporting Policy. The policy will include guidelines for submitting and verifying attendance reports by faculty and staff respectively. This will improve accountability and assure compliance.

Instances of faculty non-compliance will be dealt with in the following ways. In the event that an instructor fails to sign an attendance report, a written reprimand will be issued. Continued employment will be dependent on compliance with the Attendance Reporting Policy.

The program is reorganizing procedures for data entry and reporting in order to address the problem of unsigned attendance reports. A staff person has been designated to work solely with program data entry to improve accountability in the following ways. One person will be solely responsible for attendance verification and data entry which reduces the risk of error. The program will create a separate work space to reduce distractions and improve the data accuracy and monitoring. The data person will report regularly to the administrative coordinator and the program director.

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs

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

11-4 (other) ERB Reporting

Condition

During the course of our audit, we tested compliance with the Educational Retirement Act (Section 22-11-1 to 22-11-53 NMSA 1978). Included in that statute is the requirement to report the date when an employee terminates to the Educational Retirement Board (ERB).

- For three out of ten terminated employees who were qualified to contribute, we were unable to verify that their termination date had been reported to the ERB.

Criteria

New Mexico Education Retirement Board requires that the exact date of termination be reported to the Educational Retirement Board in the month where termination occurs and again if paid in the month following termination.

Cause

Faculty terminations frequently occur following a period of inactivity; which can be up to three semesters. The current system in place to report to ERB the date on which an employee terminates is included in the payroll function. Employees termination dates are reported to ERB in the period in which they receive their final payroll. If termination occurs in a month for which they do not receive payroll; their termination date is not reported to the ERB in the normal course of business.

In addition, for one of the three exceptions, the employee's termination date occurred in the month he received final payroll, but his termination date was not included in the files transmitted to ERB.

Effect

The College was not in compliance with Educational Retirement Board's reporting requirements of terminated employees.

If we extrapolate the error rate of our findings to the overall population, it is possible that for 235 terminated employees, their termination date will not be properly reported to the Educational Retirement Board.

Recommendation

The College should develop changes to ERB reporting system to track and report terminations. A procedure should be developed to trace and reconcile termination reports to the monthly reports filed with the Educational Retirement Board.

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs

**Section IV - Other Matters as required by New Mexico State Statute 12-6-5, NMSA 1978
(continued)**

11-4 (other) ERB Reporting (continued)

Response

The Payroll Department worked with ITS to develop a report which will capture all terminations by activity day in a specific month. This report captures all terminations whether they have worked recently or not. Payroll started using this new report when they prepared the September ERA report.

**Section IV - Other Matters as required by New Mexico State Statute 12-6-5, NMSA 1978
Central New Mexico Community College Foundation**

None.

CENTRAL NEW MEXICO COMMUNITY COLLEGE

Status of Prior Year Audit Findings

Status of Prior Year Audit Findings		Current Status
08-1	General IT Controls	Resolved
09-4	Adult Basic Education	Resolved
10-1	Payroll Controls	Resolved
10-2	Deferred revenue - Foundation	Resolved
10-3	Contributions - Foundation	Resolved
10-4	Grant Reporting - Foundation	Resolved
10-5	Pay Rates - Federal work Study	Resolved
10-6	I-9's	Resolved

**STATE OF NEW MEXICO
CENTRAL NEW MEXICO COMMUNITY COLLEGE**

Exit Conference

A closing conference was held on October 20, 2011, to discuss the audit report and current and prior year auditor's comments. The parties agreed to the factual accuracy of the comments contained herein. In attendance were the following individuals:

Representing the Governing Board of Central New Mexico Community College

Blair Kaufman	Audit Committee Chair
Mark Armijo	Governing Board Secretary
Deborah Moore	Audit Committee Member

Representing Central New Mexico Community College

Katharine Winograd	President
Katherine Ulibarri	Vice President for Planning and Budget
Philip Bustos	Vice President of Student Services
Beth Pitonzo	Vice President of Academic Affairs
Sydney Gunthorpe	Dean of School of Business and Information Technology
Martin Serna	Comptroller
Allen Leatherwood	Director of Internal Audit
Mark Lovato	Senior Staff Auditor
Lisa Archuleta	Staff Auditor

The Central New Mexico Community College Foundation had a separate exit conference with Kardas, Abeyta & Weiner P.C. on October 20, 2011 .

Representing Kardas, Abeyta & Weiner P.C.

Amy C. Cherne	Principal
Sean S. Weiner	Principal
Jeremy Hamlin	Manager