

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2021**



**PATTILLO, BROWN & HILL, LLP**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
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**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
OFFICAL ROSTER**

**BOARD OF TRUSTEES AND PRINCIPAL OFFICERS**

**Board of Trustees**

*Appointed Members:*

Dr. Gilber Sena  
Dianna Medrano  
Louise L. Portillos  
Mark Dominguez  
Kenneth Medina  
Dr. Phyllis Martinez  
Rosalie Ortega

*Title:*

Chairman of the Board  
Vice Chairman of the Board  
Board Secretary  
Board Member  
Board Member  
Board Member  
Board Member

**Principal Administrative Officials**

Edward Martinez  
Kathy A. Romero

President  
VP of Finance & Administration

## **FINANCIAL SECTION**



## Independent Auditor's Report

To Brian S. Colón, Esq.  
New Mexico State Auditor

To the Board of Trustees  
Luna Community College  
Las Vegas, New Mexico

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, discretely presented component unit, and the aggregate remaining fund information of Luna Community College (College) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons, presented as supplementary information, as defined by the Governmental Accounting Standards Board, for the year ended June 30, 2021, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque



the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion the budgetary comparisons referred to above present fairly, in all material respects, the budgetary comparisons for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements of the College are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of its business-type activities that are attributable to the transactions of Luna Community College. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2020, and the changes in its financial position and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America. The College's financial statements are included in the financial statements of the State of New Mexico. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Schedules of the College's Proportionate Share of the Net Pension Liability and Net OPEB Liability*, and *Schedules of College Contributions* on pages 36 - 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Management has omitted the Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements and the budgetary comparisons. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2022 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Pattillo, Brown & Hill, LLP*

Pattillo, Brown & Hill, L.L.P.  
Albuquerque, New Mexico  
September 22, 2022

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

	<b>Primary Institution</b>	<b>LCC Foundation</b>
<b>ASSETS</b>		
<i>Current:</i>		
Cash and cash equivalents	\$ 5,691,153	188,461
Student accounts receivable, net	59,516	-
Property tax receivables	638,191	-
Grant receivables	175,829	-
Other receivables	139,885	3,414
Investments	-	750,798
Inventory	87,737	-
<i>Total current assets</i>	<u>6,792,311</u>	<u>942,673</u>
<i>Noncurrent assets:</i>		
Capital assets, net accumulated depreciation	<u>21,179,980</u>	<u>-</u>
<i>Total noncurrent assets</i>	<u>21,179,980</u>	<u>-</u>
<i>Total assets</i>	<u>27,972,291</u>	<u>942,673</u>
<b>DEFERRED OUTFLOWS</b>		
Pension related	18,247,824	-
OPEB related	<u>1,481,852</u>	<u>-</u>
<i>Total deferred outflows</i>	<u>19,729,676</u>	<u>-</u>
<i>Total assets and deferred outflows</i>	<u>\$ 47,701,967</u>	<u>942,673</u>

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

	<b>Primary Institution</b>	<b>LCC Foundation</b>
<b>LIABILITIES</b>		
<i>Current liabilities:</i>		
Accounts payable	81,872	-
Accrued liabilities	285,388	-
Cash Held in Custody of others	44,099	-
Unearned revenue	496,779	-
Current portion of compensated absences	52,169	-
<i>Total current liabilities</i>	<u>960,307</u>	<u>-</u>
<i>Noncurrent liabilities:</i>		
Long term portion of compensated absences	254,710	-
Net pension liability	38,452,499	-
Net OPEB liability	5,267,530	-
<i>Total noncurrent liabilities</i>	<u>43,974,739</u>	<u>-</u>
<i>Total liabilities</i>	<u>44,935,046</u>	<u>-</u>
<b>DEFERRED INFLOWS</b>		
Pension related	1,012,610	-
OBEP related	2,395,000	-
<i>Total deferred inflows</i>	<u>3,407,610</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	21,179,980	-
Restricted	-	942,673
Unrestricted (deficit)	(21,820,669)	-
<i>Total net position</i>	<u>\$ (640,689)</u>	<u>942,673</u>

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Primary Institution</b>	<b>LCC Foundation</b>
<b>Operating Revenues</b>		
Student tuition and fees	\$ 724,367	-
Federal grants and contracts	1,405,833	-
State grants and contracts	678,010	-
Private grants and contracts	145,912	-
Sales and services	129,848	-
Other operating revenues	918,881	39,989
<b>Total operating revenues</b>	<b>4,002,851</b>	<b>39,989</b>
<b>Operating Expenses</b>		
Instruction and general		
Instruction	6,785,285	-
Academic support	714,240	-
Student services	2,699,727	-
Institutional support	3,635,996	-
Operation and maintenance of plant	2,743,084	-
Public service	833,567	-
Student aid grants and stipends	1,513,122	8,683
Tuition discounts and allowances	88,056	-
Auxiliary enterprises	1,168,299	-
Agency funds	14,450	-
Athletics	745,077	-
Student activities	19,622	-
Renewals and replacement	275,970	-
Depreciation and amortization	1,175,344	-
<b>Total operating expenses</b>	<b>22,411,839</b>	<b>8,683</b>
<b>Operating loss</b>	<b>(18,408,988)</b>	<b>31,306</b>

*See Notes to Financial Statements*

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Primary Institution</b>	<b>LCC Foundation</b>
<b>Non-operating revenues (expenses)</b>		
State appropriations	7,884,500	-
Local tax levy	2,038,915	-
Investment Income, net of expenses	7,175	5,103
Gain on Sale of Asset	25,000	-
<b>Total non-operating revenues</b>	<b>9,955,590</b>	<b>5,103</b>
<b>(Decrease) increase in net position</b>	<b>(8,453,398)</b>	<b>36,409</b>
Net position, beginning of year	7,812,709	906,264
<b>Net positions, end of year</b>	<b>\$ (640,689)</b>	<b>942,673</b>

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Primary Institution</b>	<b>LCC Foundation</b>
<b>Cash Flows From Operating Activities</b>		
Tuitions and fees	\$ 736,011	-
Grants and contracts	3,049,348	-
Payments to suppliers, employees, and others	(333,160)	-
Payments for educational activities	(12,521,609)	-
Other Revenue	835,702	31,306
<b>Net cash provided by (used in) operating activities</b>	<b>(8,233,708)</b>	<b>31,306</b>
<b>Cash Flows From Non-capital Financing Activities</b>		
Local tax levy revenues	2,038,915	-
State appropriations	7,884,500	-
<b>Net cash provided by non-capital financing activities</b>	<b>9,923,415</b>	<b>-</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Gain on Sale of Assets	25,000	-
Purchases of capital assets	(272,351)	-
<b>Net cash (used in) capital and related financing activities</b>	<b>(247,351)</b>	<b>-</b>
<b>Cash Flows From Investing Activities</b>		
Investment income, net of expenses	7,175	(1)
<b>Net cash provided by (used in) by investing activities</b>	<b>7,175</b>	<b>(1)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,449,531</b>	<b>31,305</b>
Cash and cash equivalents, beginning of year	4,241,622	157,156
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,691,153</b>	<b>188,461</b>

*See Notes to Financial Statements*

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Primary Institution</b>	<b>LLC Foundation</b>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (18,408,988)	31,306
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	1,175,344	-
Additional pension expense	8,011,677	-
Change in assets and liabilities		
Receivables	618,210	-
Inventories	(867)	-
Accounts payable and deferred liabilities	177,308	-
Cash held in custody of others	44,099	-
Compensated absences	(41,056)	-
Unearned revenue	190,565	-
<b>Net cash used in operating activities</b>	<b>\$ (8,233,708)</b>	<b>31,306</b>

## **NOTES TO FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINNICAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Organization***

Luna Vocational Technical Institute was established in 1967, in accordance with laws of the State of New Mexico to provide occupational training opportunities to residents of northeastern New Mexico. Over the years the Institute has grown into a comprehensive community college, and in December 2000, the Board of Directors approved to change its name to Luna Community College (the "College"). Luna Community College offers a variety of educational opportunities and services to meet needs in the lifelong process of personal and professional development. The College's goal of providing educational and training programs that prepare students for careers in technical and vocational fields include developing basic academic skills for successful post-secondary study; preparing individuals for employment, career updating, and job advancement; associates degrees and the first two years of study for those seeking transfer to a four-year college, and comprehensive student development services which provide student support and assistance. The College receives funding primarily from state appropriations with additional funding from federal and local sources, and must comply with the spending, reporting, and recordkeeping requirements of these entities. It is not a component unit of any other governmental entity.

This summary of significant accounting policies of the College is presented to assist in the understanding of the College's financial statements. The financial statements and notes are the representation of the College's management who is responsible for their integrity and objectivity. The financial statements of the College have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities.

Luna Community College Foundation, Inc. (Foundation). The Foundation was organized as a not-for-profit New Mexico corporation under 501(c)(3) of the Internal Revenue Code. The Foundation receives support from contributions and earnings on investments. The Foundation does not issue separate financial statements.

***Reporting Entity***

In evaluating how to define the government for financial reporting purposes, the College has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the College's operations. Each discretely presented component unit is reported in a separate column in the College's financial statements to emphasize that it is legally separate from the College.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the College has one component unit required to be reported under GASB Statements No. 14, No. 39, No. 61, and No. 80 as there is one discretely presented component unit, the Luna Community College Foundation, Inc. This component unit does not have separately issued financial statements and should be reported as a discretely presented component unit under GAAP.

***Financial Statement Presentation***

The accounting and reporting policies of the College reflected in the accompanying financial statements conform to accounting principles generally acceptable in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

As a public institution, the College is considered a special purpose government under the provisions of GASB Statement No. 35. The College records revenue in part from fees and other charges for services to external users and, accordingly, has chosen to present its financial statements using the reporting model for special-purpose governments engaged in business-type activities. This model allows all financial information for the College to be reported in a single column in each of the financial statements. The effect of internal activity between funds or groups has been eliminated from these financial statements.

***Basis of Accounting***

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated.

***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. The more significant estimates included in the financial statements include allowances for uncollectible student accounts receivable, net pension liability and related deferred inflows and outflows, and the estimated useful lives and depreciation of capital assets.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Cash and Cash Equivalents and Statement of Cash Flows***

For purposes of the statement of cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Immediate cash needs are met with resources deposited at the College's bank. Cash and cash equivalents include cash on hand and cash in banks, including savings and money market accounts with an original maturity of 3 months or less.

At June 30, 2021, the amount of cash and cash equivalents reported on the financial statements differs from the amount on deposit with the various financial institutions because of transactions in transit and outstanding checks.

***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 collections, and student and third-party payers for student tuition and fees. The allowance for doubtful accounts for student receivables is maintained at a level which, in the administration's judgment, is sufficient to provide for possible losses in the collection of these accounts.

***Unearned Revenues***

Unearned revenue relates to state grants awarded and received during the current fiscal period for classes to be expended in the following period. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property tax receivables are recognized in the period for which the taxes are levied, net of estimated refunds. All amounts are considered fully collectible.

***Inventory***

Inventories consist of items held for resale or exchange within the College. The bookstore inventory within the current unrestricted fund is valued at the lower of cost or market. This cost method is applied on a basis consistent with prior year.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. The College capitalizes all items with a unit cost of \$5,000 or more in accordance with 12-6-10 NMSA 1978, and an estimated useful life of greater than one year. Items on the capital asset listing that were capitalized under previous lower thresholds can be removed from the capital asset listing. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset, as follows:

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINNICAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Assets	Years
Buildings	30
Building improvements	20
Vehicles	5
Equipment and furniture	5
Heavy duty equipment	12

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

***Compensated Absences***

Accumulated unpaid vacation is accrued when incurred in the current unrestricted fund. Accrued vacation up to 240 hours is recorded at 100% of the employee hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA).

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the statement of net position.

***Revenue***

*Operating revenue* includes activities that have the characteristics of an exchange transaction, such as a) student tuition and fees, net of scholarship discounts and allowances; b) sales and services; c) most federal, state, and local grants and contracts; and d) interest on institutional student loans.

*Non-operating revenue* includes activities that have the characteristics of non-exchange transactions, such as a) appropriations, b) taxes, c) gifts, and d) investment income. These revenue streams are recognized under GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*. Revenues are recognized when all applicable eligibility requirements have been met.

***Economic Dependency***

The College depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the College is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

***Net Position***

The College's net position is classified into the following net position categories:

*Net investment in capital assets:* Capital assets, net of accumulated depreciation, amortization, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

those assets.

*Restricted Net Position:* Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Expendable net position can be fulfilled by the actions of the College or the passage of time. Non-expendable restricted net position consists of endowment and similar type assets for which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income. All amounts for the primary government (if applicable) that are restricted in the statement of net position are considered restricted

by enabling legislation. The College did not have any restricted funds as of June 30, 2021.

*Unrestricted Net Position:* All other categories of net position. In addition, unrestricted net position may be designated for use by management of the College. This requirement limits the area of operations for which expenditures of net position may be made, and require that unrestricted net position be designated to support future operations in these areas. The College has adopted a policy of utilizing restricted – expendable funds, when available, prior to unrestricted funds.

***Budgetary Process***

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

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appointed in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as restricted fund balance.

To amend the budget, the College requires the following order of approval: (1) College President, (2) College Board Members, (3) Commission on Higher Education, and (4) State Department of Finance and Administration.

Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year, and are available for expenditures to the College in subsequent years pursuant to the General Appropriation Act of 2004, Section 4, J (Higher Education).

**Budgetary Control.** Total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary control are as follows: (1) unrestricted and restricted expenditures are considered separately; (2) total expenditures in instruction and general; (3) total expenditures of each budget function in current funds other than instruction and general; and (4) within

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

the plant funds budget, the items of budgetary control are major projects, equipment bonds, minor capital outlay, and renewals and replacements.

Budgets are adopted on a basis of accounting that is not in accordance with accounting principles generally accepted in the United States of America. The purpose of the Budget Comparison is to reconcile the change in net position as reported on a budgetary basis to the change in net position as reported using generally accepted accounting principles. The reporting of actuals (budgetary basis) is a non-GAAP accounting method that excludes depreciation expense and includes the cost of capital equipment purchases.

***Income Tax Status***

The College, as an instrumentality of the State of New Mexico, is exempt from federal income taxes under Section 115(a) of the Internal Revenue Code. Contributions to the College are deductible by donors as provided under Section 170 of the Internal Revenue Code and consistent with the provisions under Section 5019(c)(3) of the Internal Revenue Code.

***Property Tax Calendar***

Property Taxes attached as an enforceable lien on property as of January 1st. The taxes are levied each year on July 1 based on the assessed value of property listed on the previous January 1, and are due in two payments by November 10th and April 10th. The taxable valuations for the various classes of property are determined by San Miguel, Guadalupe, Mora, Colfax, and Union County Assessors. Property taxes uncollected after May 10th are considered delinquent.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Postemployment Benefits Other Than Pensions (OPEB)***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Deferred Outflows of Resources***

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. These amounts are

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

deferred and recognized as outflows of resources in future periods.

***Deferred Inflows of Resources***

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

***Tax Abatements***

As of June 30, 2021 there were no tax abatements that would affect the College.

**NOTE 2. CASH DEPOSITS AND INVESTMENTS**

State statutes authorize the investment of College funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the College properly followed State investment requirements as of June 30, 2021.

Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the College. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and negotiable order or withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, none of the College's bank balances of \$5,992,128 were exposed to custodial credit risk. None of the College's deposits were uninsured and uncollateralized at June 30, 2021.

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**NOTE 2. CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

	<b>Southwest Capital Bank</b>	<b>Community 1<sup>st</sup> Bank</b>	<b>Total</b>
Total amount of deposit	\$ 1,080,051	4,912,077	5,992,128
FDIC coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	<u>830,051</u>	<u>4,662,077</u>	<u>5,492,128</u>
Collateral requirement (50% of uninsured public funds)	415,026	2,331,039	2,746,065
Pledged securities held by the pledging institution or by its trust department or agent other than Luna Community College	<u>766,000</u>	<u>3,214,386</u>	<u>3,980,386</u>
Over collateralized	\$ <u>350,974</u>	<u>883,347</u>	<u>1,234,321</u>
Reconciliation to the Statement of Net Position:			
Deposits		\$	5,992,128
Petty cash			1,785
Reconciling items			<u>(302,760)</u>
Cash and cash equivalents per the statement of net position		\$	<u>5,691,153</u>

The collateral pledged is listed on page 45 of this report.

***Custodial Credit Risk Component Unit***

The following table provides information concerning the custodial credit risk assumed by the Foundation at year-end. Actual bank balances are shown because they reflect the current relationship between the deposits and corresponding collateral. The source of the Foundation's cash does not meet the definition of public monies. Therefore, the Foundation does not require collateralization.

	<b>Federally Insured</b>	<b>Insured and Collateralized</b>	<b>Uninsured and Uncollateralized</b>	<b>Total Depository Balance</b>
Demand Deposits				
Community First Bank	\$ 137,838	-	-	137,838
Southwest Capital Bank	<u>50,623</u>	<u>-</u>	<u>-</u>	<u>50,623</u>
Total demand deposits	\$ <u>188,461</u>	<u>-</u>	<u>-</u>	<u>188,461</u>
Certificates of Deposit				
Community First Bank	\$ 250,000	-	9,985	259,395
Southwest Capital Bank	<u>250,000</u>	<u>-</u>	<u>240,813</u>	<u>491,403</u>
Total certificates of deposit	\$ <u>500,000</u>	<u>-</u>	<u>250,798</u>	<u>750,798</u>

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**NOTE 3. ACCOUNTS RECEIVABLE**

The College's accounts receivable at June 30, 2021 represent revenues earned from student tuition and fees, loans, local tax levy, federal government grants and contracts, and State of New Mexico agencies that include pass through federal and state grants. All amounts are expected to be collected, however, an allowance for uncollectible accounts has been established for student accounts judged to be uncollectible due to the age of the receivables. A schedule of receivables and allowance for uncollectible accounts is as follows for the year ended June 30, 2021:

Student accounts receivable	\$	1,022,014
Less: allowance for uncollectible accounts		<u>(962,498)</u>
Student accounts receivable, net	\$	<u>59,516</u>
Property tax receivables	\$	638,191
Federal and state grant receivable		175,829
Other receivables		<u>139,885</u>
Total accounts receivable, net	\$	<u>953,905</u>

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**NOTE 4. CAPITAL ASSETS**

The following table summarizes the changes in the College's capital assets during the fiscal year ended June 30, 2021. Land and construction in progress are not subject to depreciation expense.

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Transfers &amp; Deletions</u>	<u>June 30, 2021</u>
Capital assets not being depreciated:				
Land	\$ 2,322,079	-	-	2,322,079
Construction in progress	2,711,839	-	(2,711,839)	-
Total capital assets not being depreciated	5,033,918	-	(2,711,839)	2,322,079
Capital assets being depreciated:				
Buildings	30,528,998	-	2,711,833	33,240,831
Building improvements	12,382,877	-	-	12,382,877
Equipment and furniture	2,352,230	77,500	-	2,429,730
Automobiles	872,487	194,857	(196,965)	870,379
Total capital assets being depreciated	46,136,592	272,357	2,514,868	48,923,817
Less accumulated depreciation:				
Buildings	(21,559,886)	(674,851)	-	(22,234,737)
Building improvements	(4,645,517)	(340,469)	-	(4,985,986)
Equipment and furniture	(2,027,883)	(141,177)	-	(2,169,060)
Automobiles	(854,251)	(18,847)	196,965	(676,133)
Total accumulated depreciation	(29,087,537)	(1,175,344)	196,965	(30,065,916)
Capital assets, net	\$ <u>22,082,973</u>	<u>(902,987)</u>	<u>(6)</u>	<u>21,179,980</u>

Depreciation expense for the year totaled \$1,175,344.

**NOTE 5. COMPENSATED ABSENCES**

Accumulated unpaid vacation is accrued when incurred. Employees entitled to earn vacation pay earn it at various rates based on length of employment. Up to 240 hours of vacation may be accrued and paid out upon termination. Sick leave is not paid out upon termination; accordingly, no liability for sick leave is recorded by the College. The College had a liability for accrued vacation as of June 30, 2021 as follows:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>	<u>Due Within One Year</u>
Compensated absences	\$ 347,935	135,136	(176,192)	306,879	52,169

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**NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD**

**Plan description** – The New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB’s comprehensive annual financial report. The report can be found on NMERB’s Web site at [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state’s public schools, institutions of higher learning, and state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

The Plan is a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined in Section 22-11-2, NMSA 1978. Employees of public schools, universities, junior and community colleges, public technical and vocational institutions, state special schools, charter schools, regional education cooperatives, the New Mexico Activities Association, and certain employees at state agencies that provide an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

**Pension Benefit** – A member’s retirement benefit is determined by a formula which includes three component parts: 1) the member’s final average salary (FAS), 2) the number of years of service credit, and 3) a multiplier.

For members hired on or before June 30, 2019 (Tiers 1-3 members) the multiplier is 2.35%. For members hired after June 30, 2019 the multiplier accrues as follows:

<u>Years of Service</u>	<u>Benefit Percentage Earned</u>
10 or less	1.35%
10.25 to 20	2.35%
20.25 to 30	3.35%
30.25 plus	2.40%

FAS is the average of the member’s fiscal annual earnings for the last 20 calendar service quarters (60 months) prior to retirement or the highest average fiscal annual earning for any 20 consecutive calendar quarters.

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**NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)**

***Summary of Plan Provisions for Retirement Eligibility by Tier –***

***Tier 1: Membership prior to July 1, 2010***

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

***Tier 2: Membership on or after July 1, 2010, but prior to July 1, 2013***

Chapter 288, Laws of 2009 changed the eligibility requirements for new members who were first employed on or after July 1, 2010, but before July 1, 2013 — or before July 1, 2010, terminated employment, subsequently withdrew all contributions, and then becomes re-employed after July 1, 2010. These members must meet one of the following requirements.

- The member's age and earned service credit add up to the sum of 80 or more,
- The member is at least sixty-seven years of age and has five or more years of earned service credit, or
- The member has service credit totaling 30 years or more.

***Tier 3: Membership beginning on or after July 1, 2013***

Section 2-11-23.2, NMSA 1978, added eligibility requirements for new members who were first employed on or after July 1, 2013 — or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements:

- The member's minimum age is 55, and has earned 30 or more years of service credit. (Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.)
- The member's minimum age and earned service credit add up to the sum of 80 or more. (Those who retire under the age of 65, and who have fewer than 30 years of earned service credit receive reduced retirement benefits.)
- Or, the member's age is 67, and the member has earned 5 or more years of service credit.

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**NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)**

***Tier 4: Membership beginning on or after July 1, 2019***

Section 2-11-23.3, NMSA 1978, added eligibility requirements for new members who were first employed on or after July 1, 2019 — and had, before that date, been refunded all member contributions and had not restored all refunded contributions and interest before July 1, 2019. A member in this tier must meet one of the following requirements.

- The member's minimum age must be 58, and the member has earned 30 or more years of service credit. (A member who retires earlier than age 58, receives a reduction in benefits equal to the actuarial equivalent of retiring at age 58.)
- The member's minimum age and earned service credit add up to the sum of 80 or more. (Those who retire under the age of 65, and who have fewer than 30 year of earned service credit, receive reduced retirement benefits.)
- Or, the member's age is 67, and the member has earned 5 or more year of service credit.

***Forms of Payment*** – The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

***Benefit Options*** – The Plan has three benefit options available.

- **Option A – Straight Life Benefit** – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C – Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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**NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)**

**Disability Benefit** – An NMERB member is eligible for disability benefits if they have acquired at least ten years of earned service credit and is found totally disabled. The disability benefit is equal to 2% of the member's Final Average Salary (FAS) multiplied by the number of years of total service credits. However, the disability benefit shall not be less than the smaller of (a) one-third of the member's FAS or (b) 2% of the member's FAS multiplied by total years of service credit projected to age 60.

**Cost of Living Adjustment (COLA)** – All retired members and beneficiaries receiving benefits receive an adjustment in their benefit on July 1 following the year a member retires or July 1 following the year a member reaches the age below, whichever is later.

Membership	Age Eligible for Cola
Tier 1	65
Tier 2	65
Tier 3	67
Tier 4	67

If a member is eligible for a COLA, the amount depends on the annual change in the Consumer Price Index (CPI) and whether the fund is fully funded (that is, the fund's funded ratio is 100%). Accordingly, if there is no increase in the CPI, or the CPI is negative, the amount of the COLA will be zero (if the CPI is negative, retirement benefits will not be decreased).

When CPI has increased and the fund is fully funded, the COLA will be the same amount as the increase in the CPI except as follows: If the increase in the CPI is 2% or greater, the COLA will be one-half of the CPI increase, not to exceed 4% or to be less than 2%.

However, while the fund is not fully funded, the COLA for retirees will be reduced based on the median annual retirement benefit, calculated after the end of each fiscal year:

- When the funded ratio is 90% or less, the COLA for retirees whose annuity is at or below the median and who have 25 or more years of service credit at retirement will be reduced by 10%. For retirees whose annuity is either greater than the median or who have less than 25 years of service credit at retirement, the COLA will be reduced by 20%.
- When the funded ratio exceeds 90% but is less than 100%, the COLA for retirees whose annuity is at or below the median adjusted annuity and who had 25 or more years of service credit at retirement and will be reduced by 5%. For retirees whose annuity is either greater than the median or who have less than 25 years of service credit at retirement, the COLA will be reduced by 10%.

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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**NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)**

**Refund of Contributions** – Members may withdraw their contributions only when they terminate covered employment in the State and their former employer(s) certification determination has been received by NMERB. Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

**Contributions** – For the fiscal year ended June 30, 2021 and 2020 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase over Prior Year
2021	7/1/20 to 6/30/21	Over \$24K	10.70%	14.15%	24.85%	0.25%
2021	7/1/20 to 6/30/21	\$24K or less	7.90%	14.15%	22.05%	0.25%
2020	7/1/19 to 6/30/20	Over \$24K	10.70%	14.15%	24.85%	0.25%
2020	7/1/19 to 6/30/20	\$24K or less	7.90%	14.15%	22.05%	0.25%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2021 and 2020, the College paid employee and employer contributions of \$1,390,218 and \$1,488,064, which equal the amount of the required contributions for each fiscal year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2021, the College reported a liability of \$38,452,499 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2020 using generally accepted actuarial principles. On April 17, 2020, NMERB's Board of Trustees adopted new assumptions presented in the 2020 Actuarial Experience Study. Those new assumptions have been reflected in the roll-forward and in the projections used to determine the single discount rate.

The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2020, actuarially determined. At June 30, 2020, the College's proportions was .189740%, which was a decrease of .017760% from its proportion measured as of June 30, 2019.

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**NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)**

For the year ended June 30, 2021, the College recognized pension expense of \$8,396,312. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 238,712	148,270
Changes in assumptions	15,408,245	-
Net difference between projected and actual earnings on pension plan investments	1,305,692	-
Changes in proportion and differences between contributions and proportionate share of contributions	490,493	864,340
Employer contributions subsequent to the measurement date	804,682	-
<b>Total</b>	<b>\$ 18,247,824</b>	<b>1,012,610</b>

\$804,682 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2021	\$	6,593,483
2022		6,497,079
2023		2,940,533
2024		399,437
2025		-
Thereafter		-

*Actuarial assumptions.* Actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. On April 17, 2020, the Board adopted the new assumptions presented in the 2020 Actuarial Experience Study.

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

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**NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)**

Inflation	2.50%
Salary increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.
Mortality	<p><b>Healthy males:</b> Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, no set back, generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p><b>Healthy females:</b> Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p>
Other Information	<p>A new set of assumptions was adopted for the June 30, 2020 actuarial valuation. These new assumptions are reflected in the Total Pension Liability as of June 30, 2020 and will be reflected in the actuarially determined employer contribution for the fiscal year ending 2021. These assumptions can be found in the funding valuation as of June 30, 2020 or in the 2020 experience study.</p>

The long-term expected rate of return on pension plan investments was determined using a building-block approach that includes the following:

- Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	30%	
Fixed income	26%	
Alternative	43%	
Cash	1%	
Total	100%	7.00%

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**NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)**

**Discount rate.** A single discount rate of 3.89% was used to measure the total pension liability as of June 30, 2020. This is a 3.36% percent decrease from the rate of 7.25% rate used in the prior measurement year. The 3.89% was based on a long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.45%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2045. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through the year 2045 and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine the single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

**Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate.** The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 3.89%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current rate:

	<b>1% Decrease (2.89%)</b>	<b>Current Discount Rate (3.89%)</b>	<b>1% Increase (4.89%)</b>
College's proportionate share of the net pension liability	\$ <u>48,561,326</u>	<u>38,452,499</u>	<u>30,319,292</u>

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued NMERB's financial reports. The reports can be found on NMERB's web site at [www.nmerb.org/Annual\\_reports.html](http://www.nmerb.org/Annual_reports.html).

**Payables to the pension plan.** The College did not accrue any payables for the pension plan at June 30, 2021. All 10-month teacher contracts for the school year are paid by fiscal year end.

**NOTE 7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description** - Employees for the College are provided with OPEB through the Retiree Health Care Fund (the Fund) - a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents, and surviving spouses) who have retired or will retire from public service in New Mexico.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
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JUNE 30, 2021**

**NOTE 7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

**Benefits provided** – The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

**Employees covered by benefit terms** – At June 30, 2020, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	52,179
Inactive and eligible for deferred benefit	10,916
Current active members	91,082
	<u>154,177</u>
Active membership	
State general	17,097
State police and corrections	1,830
Municipal general	17,538
Municipal police	3,159
Municipal fire	1,966
Educational Retirement Board	49,492
	<u>91,082</u>

**Contributions** – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the College were \$170,398 for the year ended June 30, 2021.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - At June 30, 2021, the College reported a liability of \$5,267,530 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward to June 30, 2020. The College's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2020. At June 30, 2020, the College's proportion was 0.12545 percent.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
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JUNE 30, 2021**

**NOTE 7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

For the year ended June 30, 2021, the College recognized OPEB income of \$271,032. At June 30, 2021 the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 28,725	935,372
Changes in assumptions	1,034,054	935,477
Changes in proportion	305,474	524,151
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	<u>113,599</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>1,481,852</u></b>	<b><u>2,395,000</u></b>

Deferred outflows of resources totaling \$113,599 represent College contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:		
2022	\$	(481,145)
2023		(399,585)
2024		(178,787)
2025		(41,987)
2026		<u>74,757</u>
Total	\$	<u>(1,026,747)</u>

**Actuarial assumptions.** The total OPEB liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward to June 30, 2020, using the following actuarial assumptions:

Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Inflation	2.50% for ERB members; 2.25% for PERA members

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
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JUNE 30, 2021**

**NOTE 7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

Projected payroll increases	3.25% to 13.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation.
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	ERB member: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females). PERA members: RP-2014 Combined Healthy Mortality.

**Rate of Return** – The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<b>Asset Class</b>	<b>Long-Term Rate of Return</b>
U.S. core fixed income	2.1%
U.S. equity – large cap	7.1
Non U.S. – emerging markets	10.2
Non U.S. – developed equities	7.8
Private equity	11.8
Credit and structured finance	5.3
Real estate	4.9
Absolute return	4.1
U.S. equity – small/mid cap	7.1

**Discount Rate** – The discount rate used to measure the Fund’s total OPEB liability is 2.86% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

current plan members through the fiscal year ending June 30, 2039. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2040. The index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used beyond 2041, resulting in a blended discount rate of 2.86%.

***Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.*** The following presents the net OPEB liability of the College, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.86 percent) or 1-percentage-point higher (3.86 percent) than the current discount rate:

<u>1% Decrease (1.86%)</u>	<u>Current Discount Rate (2.86%)</u>	<u>1% Increase (3.86%)</u>
\$ <u>6,547,562</u>	<u>5,267,530</u>	<u>4,278,198</u>

The following presents the net OPEB liability of the College, as well as what the College's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
\$ <u>4,323,657</u>	<u>5,267,530</u>	<u>5,983,483</u>

***OPEB plan fiduciary net position.*** Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2020.

***Payables changes in the net OPEB liability.*** At June 30, 2021, the College did not accrue any payables for OPEB. All 10-month teacher contracts for the school year are paid by fiscal year end.

**NOTE 8. GROUP INSURANCE**

The College participates in the State of New Mexico Public Schools Insurance Authority group health insurance plan. The Authority's two primary insurance underwriters are Blue Cross/Blue Shield of New Mexico and Presbyterian. The plan covers all full-time employees of the College who choose to participate in the plan. The College pays premiums under the plan and employees contribute based on percentage splits established by 10-7-4 NMSA 1978 for public employees.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 9. RISK MANAGEMENT**

The College currently is party to various litigation and other claims in the ordinary course of business. The College has property, liability, and workers compensation insurance coverage with New Mexico Public Schools Insurance Company. The College believes that the outcome of all pending and threatened litigation will not have a material adverse effect on the financial position or operations of the College. Federal grants received by the College are subject to audit by the grantors. In the event of noncompliance with funding requirements, grants may be required to be refunded to the grantor. College management estimates that such refunds, if any, will not be significant.

**NOTE 10. COMMITMENTS AND CONTINGENCIES**

The College is liable or contingently liable in connection with certain claims, which arise in the normal course of business. It is the opinion of the College's management that uninsured losses resulting from these claims would not be material to the College's financial position. Federal grants received by the College are subject to audit by the grantors. In the event of noncompliance with funding requirements, grants may be required to be refunded to the grantor. College management estimates that such refunds, if any, will not be significant.

There were no commitments or obligations outstanding as of June 30, 2021.

**NOTE 11. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosure of certain information concerning individual funds including:

*Deficit equity.* The College does not maintain a deficit equity position.

*Excess of expenditures over appropriations.* The College is not aware of any expenses in excess of budgetary authority.

*Designated cash appropriation in excess of available balances.* The College is not aware of any designated cash appropriations in excess of available balances.

**NOTE 12. CONCENTRATIONS**

The College depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the College is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 13. SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2021, have been evaluated for possible adjustment to the financial statements or disclosures is September 22, 2022, the date the financial statements were available to be issued.

As a result of the pandemic, the College transitioned from in-person to a distance learning model in March 2020.

**NOTE 14. RECENT ACCOUNTING PRONOUNCEMENTS**

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The implementation of the Statement was postponed by Statement No. 95 to reporting periods beginning after December 15, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. There are no fiduciary funds, and the implementation of this Statement had no effect on the College's financial statements.

In August 2018, the GASB issued Statement No. 90, an amendment of Statements No. 14 and No. 61, Majority Equity Interests. The implementation of Statement No. 90 was postponed by Statement No. 95. The new effective date is for reporting periods beginning after December 15, 2019. Statement No. 90 modifies previous guidance for reporting a government's majority equity interest in a separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. There are no equity interests, and the implementation of this Statement had no effect on the College's financial statements.

**NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2021.

GASB Statement No. 87, Leases

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.

GASB Statement No. 91, Conduit Debt Obligations.

GASB Statement No. 92, Omnibus 2020

GASB Statement No. 93, Replacement of Interbank Offered Rates

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for

**STATE OF NEW MEXICO  
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**NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

*Internal Revenue Code Section 457 Deferred Compensation Plans*

The College will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The College believes that the above listed new GASB pronouncements will not have a significant financial impact to the College or in issuing its financial statements.

**NOTE 16. COVID-19**

In early March 2020, the COVID-19 virus was declared a global pandemic, and it continues to cause market fluctuations. Business continuity and financial markets, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
JUNE 30, 2021**

	Pension Liability For Last 10 Fiscal Years*							
	30-Jun							
	Fiscal Year Measurement Date	2021 2020	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
College's Proportion of the Net Pension Liability (Asset)		0.18974%	0.20750%	0.19626%	0.19483%	0.21608%	0.21326%	0.21465%
College's Proportionate Share of Net Pension Liability (Asset)	\$	38,452,499	15,722,903	23,337,926	21,652,370	15,550,054	13,813,418	12,247,344
College's Covered-Employee Payroll	\$	5,687,451	6,022,101	5,483,835	5,550,668	5,882,681	5,916,574	5,916,574
College's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll		676.09%	261.09%	425.58%	390.09%	264.34%	233.47%	207.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		39.11%	64.13%	52.17%	52.95%	61.58%	63.97%	66.54%

\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the College is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS - NET PENSION  
JUNE 30, 2021**

	<b>Last Ten Fiscal Years*</b>							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 804,682	857,960	837,072	762,253	771,543	842,639	778,030	641,917
Contributions in Relation to the Contractually Required Contribution	<u>(804,682)</u>	<u>(857,960)</u>	<u>(837,072)</u>	<u>(762,253)</u>	<u>(771,543)</u>	<u>(842,639)</u>	<u>(778,030)</u>	<u>(641,917)</u>
Contribution Deficiency (Excess)*	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the College is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
JUNE 30, 2021**

**New Mexico Retiree Health Care Authority  
For Last 10 Fiscal Years\***

		30-Jun			
	<b>Fiscal Year Measurement Date</b>	<b>2021 2020</b>	<b>2020 2019</b>	<b>2019 2018</b>	<b>2018 2017</b>
College's Proportion of the Net OPEB liability (Asset)		0.125450%	0.137000%	0.128420%	0.129450%
College's Proportionate Share of Net OPEB Liability (Asset)	\$	5,267,530	4,444,342	5,584,157	5,866,251
College's Covered-Employee Payroll	\$	5,391,987	6,049,700	5,483,835	5,550,668
College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Its Covered-Employee Payroll		97.69%	73.46%	101.83%	105.69%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		16.50%	18.92%	13.14%	11.34%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the College will present information for available years.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS - OPEB  
JUNE 30, 2021**

**New Mexico Retiree Health Care Authority  
Last Ten Fiscal Years\***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually Required Contribution	\$ 113,599	121,060	120,994	109,676
Contributions in Relation to the	<u>113,599</u>	<u>121,060</u>	<u>120,994</u>	<u>109,676</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Employer's covered-employee payroll	\$ 5,679,944	6,053,170	6,049,700	5,483,835
Contributions as a percentage of covered-employee payroll	2.00%	2.00%	2.00%	2.00%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Cooperative will present information for available years.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021**

*Changes in ERB benefit provisions.* There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2019.

*Changes in ERB assumptions and methods.* Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

*Retiree Health Care Authority (RHCA).* In the June 30, 2019 actuarial valuation rolled forward to the measurement date of June 30, 2020, , changes in assumptions and differences between expected and actual experience include adjustments resulting from a decrease in the discount rate from 4.16% to 2.86%, changes in medical carrier election assumptions based on recent enrollment, and updated Medicare Advantage trends to reflect 2020 and 2021 premiums.

## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES -  
UNRESTRICTED AND RESTRICTED - ALL OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Beginning net positions</b>	\$ 1,032,139	1,839,144	5,070,681	3,231,537
<b>Revenues</b>				
State government appropriations	8,621,100	7,884,500	7,884,500	-
Federal revenue sources	2,348,968	2,394,033	1,405,833	(988,200)
Tuition and fees	840,645	690,645	636,311	(54,334)
Private gifts, grants and contracts	2,987,489	3,363,681	3,132,657	(231,024)
Other sources	263,000	347,834	165,299	(182,535)
<i>Total revenues</i>	<u>15,061,202</u>	<u>14,680,693</u>	<u>13,224,600</u>	<u>(1,456,093)</u>
<b>Expenditures</b>				
Instruction	4,521,866	4,763,009	3,746,879	1,016,130
Academic support	626,914	653,001	444,059	208,942
Student services	1,952,470	1,883,961	1,482,224	401,737
Institutional support	2,395,624	2,393,629	2,081,827	311,802
Operation and maintenance of plant	2,276,890	2,212,488	2,020,029	192,459
<i>Total instruction and general</i>	<u>11,773,764</u>	<u>11,906,088</u>	<u>9,775,018</u>	<u>2,131,070</u>
Student social and cultural activities	23,645	23,645	31,282	(7,637)
Public service	526,252	614,686	474,712	139,974
Student aid, grants and stipends	2,829,129	2,854,129	1,513,122	1,341,007
Auxiliary services	172,343	184,526	56,704	127,822
Intercollegiate Athletics	534,130	501,290	474,723	26,567
Capital outlay	-	142,644	135,634	7,010
Renewal and replacement	269,884	579,372	200,646	378,726
<i>Total expenditures</i>	<u>16,129,147</u>	<u>16,806,380</u>	<u>12,661,841</u>	<u>4,144,539</u>
<i>Change in net position - budgetary basis</i>	<u>(1,067,945)</u>	<u>(2,125,687)</u>	<u>562,759</u>	<u>2,688,446</u>
<b>Ending net position</b>	\$ <u>(35,806)</u>	<u>(286,543)</u>	<u>5,633,440</u>	<u>5,919,983</u>
Reconciliation of Change in Fund Balance (Budgetary Basis) to Change in Net Position (GAAP Basis)				
Change in fund balance (budgetary basis)			\$ 562,759	
Adjustments:				
Depreciation			(1,175,344)	
Purchase of capital assets			272,357	
Pension activity			(8,396,312)	
OPEB activity			384,635	
Accrued payroll and compensated absences			(136,252)	
Other reconciling items			34,759	
Financial statement change in net position reconciled to budgetary basis			\$ <u>(8,453,398)</u>	

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES -  
UNRESTRICTED - INSTRUCTIONAL AND GENERAL  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget- Positive (Negative)</b>
<b>Beginning net positions</b>	\$ 950,893	1,769,384	4,474,646	2,705,262
<b>Revenues</b>				
State government appropriations	8,621,100	7,884,500	7,884,500	-
Federal revenue sources	-	-	56,059	56,059
Tuition and fees	840,645	690,645	636,311	(54,334)
Gifts, grants and contracts - private	1,902,000	2,051,189	2,263,521	212,332
Other sources	263,000	258,571	132,449	(126,122)
<i>Total revenues</i>	<u>11,626,745</u>	<u>10,884,905</u>	<u>10,972,840</u>	<u>87,935</u>
<b>Expenditures</b>				
Instruction	4,297,610	4,222,747	3,343,905	878,842
Academic support	626,914	640,127	431,185	208,942
Student services	1,952,470	1,883,961	1,482,224	401,737
Institutional support	2,395,624	2,393,629	2,081,827	311,802
Operation and maintenance of plant	2,276,890	2,212,488	2,020,029	192,459
Student social and cultural activities	23,645	23,645	31,282	(7,637)
Public service	102,002	182,985	116,322	66,663
Student aid, grants and stipends	43,178	43,178	35,600	7,578
Auxiliary services	172,343	184,526	56,704	127,822
Intercollegiate Athletics	534,130	501,290	474,723	26,567
Capital outlay	-	142,644	135,634	7,010
Renewal and replacement	269,884	579,372	200,646	378,726
<i>Total expenditures</i>	<u>12,694,690</u>	<u>13,010,592</u>	<u>10,410,081</u>	<u>2,600,511</u>
<i>Change in net position - budgetary basis</i>	<u>(1,067,945)</u>	<u>(2,125,687)</u>	<u>562,759</u>	<u>2,688,446</u>
<b>Ending net position</b>	\$ <u>(117,052)</u>	<u>(356,303)</u>	<u>5,037,405</u>	<u>5,393,708</u>

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES -  
RESTRICTED - INSTRUCTIONAL AND GENERAL  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget- Positive (Negative)</b>
<b>Beginning net positions</b>	\$ -	-	-	-
<b>Revenues</b>				
Tuition and fees	-	-	-	-
Federal contracts and grants	2,348,968	2,394,033	1,349,774	(1,044,259)
Gifts, grants and contracts - private	1,085,489	1,312,492	869,136	(443,356)
Other sources	-	89,263	32,850	(56,413)
<i>Total revenues</i>	<u>3,434,457</u>	<u>3,795,788</u>	<u>2,251,760</u>	<u>(1,544,028)</u>
<b>Expenditures</b>				
Instruction	224,256	540,262	402,974	137,288
Academic support	-	12,874	12,874	-
Public Service	424,250	431,701	358,390	73,311
Student Aid	2,785,951	2,810,951	1,477,522	1,333,429
<i>Total expenditures</i>	<u>3,434,457</u>	<u>3,795,788</u>	<u>2,251,760</u>	<u>1,544,028</u>
<i>Change in net position - budgetary basis</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Ending net position</b>	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2021**

College:		Southwest	Community	
		Capital	First	
Account Type	Account Name	Bank	Bank	Totals
<b>Cash and Cash Equivalents</b>				
Checking - Interest Bearing	General account	\$ 1,080,051		1,080,051
Checking - Interest Bearing	General account	-	4,515,937	4,515,937
Checking - Interest Bearing	Payroll	-	311,135	311,135
Checking - Interest Bearing	Student Activity	-	85,005	85,005
	Amount on deposit	1,080,051	4,912,077	5,992,128
	Reconciling items	-	(302,760)	(302,760)
	<b>Total</b>	<b>\$ 1,080,051</b>	<b>4,609,317</b>	<b>5,689,368</b>
			Petty cash	1,785
			Total cash and cash equivalents	<b>\$ 5,691,153</b>

**Foundation:**

7505701	Checking - Non-Interest Bearing	\$ 27,512	-	27,512
7505728	Checking - Non-Interest Bearing	23,111	-	23,111
16711	Investment	112,495	-	112,495
1621761	Investment	63,919	-	63,919
1622343/1622862	Investment	59,413	-	59,413
1622859	Investment	178,548	-	178,548
1622054	Investment	77,028	-	77,028
CFB Operating	Checking - Interest Bearing	-	12	12
CFB Golf	Checking - Interest Bearing	-	44	44
CFB Helen O'Brien	Checking - Interest Bearing	-	137,782	137,782
15890	Investment	-	133,862	133,862
15804	Investment	-	125,533	125,533
Total cash, cash equivalents, and investments		<b>\$ 542,026</b>	<b>397,233</b>	<b>939,259</b>

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF PLEDGED COLLATERAL  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Southwest Capital Bank Las Vegas, NM</b>	<b>Community 1st Bank Las Vegas, NM</b>	<b>Total</b>
Amount of deposits	\$ 1,080,051	4,912,077	5,992,128
FDIC insurance coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	830,051	4,662,077	5,492,128
Collateral requirement per section 6-10-17 NMSA (50% of uninsured deposits)	415,026	2,331,039	2,746,064
Pledged Collateral			
FHLB fixed rate note (CUSIP 3130A1XJ2)	766,000	3,214,386	3,980,386
Total pledged collateral	766,000	3,214,386	3,980,386
Over collateralized	\$ 350,975	883,348	1,234,322

## **COMPLIANCE SECTION**

**INDEPENDENT AUDITORS' 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***

To Brian S. Colòn, Esq.  
New Mexico State Auditor

To the Board of Trustees  
Luna Community College  
Las Vegas, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the Luna Community College (College) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 22, 2022.

***Internal Control over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questions costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of finding and questions costs as item 2021-001 to be a material weakness.

**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questions costs as items 2021-005 and 2021-006 to be significant deficiencies.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2021-002, 2021-003, 2021-004 and 2021-007.

### **College's Response to Findings**

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

### **Purpose of this Report**

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

*Pattillo, Brown & Hill, LLP*

Pattillo, Brown & Hill, LLP  
Albuquerque, New Mexico  
September 22, 2022



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To Brian S. Colón, Esq.  
New Mexico State Auditor

To the Board of Trustees  
Luna Community College  
Las Vegas, New Mexico

**Report on Compliance for Each Major Federal Program**

We have audited Luna Community College's (College) compliance with the types of compliance requirements described in the *OMB 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, 2021. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

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**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque



### ***Opinion on Each Major Federal Program***

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control over Compliance**

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Pattillo, Brown & Hill, LLP*

Pattillo, Brown, & Hill, L.L.P.  
Albuquerque, New Mexico  
September 22, 2022

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>Federal Grantor or Pass-Through Grantor/Program Title</b>	<b>Award Sub Award Number</b>	<b>Assistant Listing Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Education:</b>			
Student Financial Assistance Cluster*			
Pell Grant 19-20	19-20	84.063	\$ 12,290
Pell Grant 20-21	20-21	84.063	1,015,652
SEOG 20-21	19-20	84.007	72,428
Direct Loans Subsidized 19-20	19-20	84.268	1,525
Direct Loans Subsidized 20-21	20-21	84.268	38,492
Direct Loans Un-Subsidized 20-21	20-21	84.268	22,173
Parent Plus DirLns 20-21	20-21	81.268	739
Total Student Financial Assistance Cluster			1,163,299 *
Passed through State of New Mexico			
Doctoral Dissertation Rsch Abrd (Adult Basic Ed)	20-21	84.022	61,859
PED Carl Perkins Welding	20-21	84.048A	66,286
Total U.S. Department of Education			1,291,444
<b>U.S. Department of Health and Human Services</b>			
Passed through the University of New Mexico			
AHEC-POSME 19-20	3RDA1-F	93.107	27,152
AHEC-POSME 20-21	3RDA1-F	93.107	63,373
AHEC-COVID 20-21	3RJ9	93.107	23,864
Total U.S. Department of Health and Human Services			114,389
<b>National Science Foundation</b>			
Passed through New Mexico State University			
CHECS Geer/IT Covid UNM	315-011-8734	84.425C	3,130
Total National Science Foundation			3,130
<b>TOTAL FEDERAL EXPENDITURES</b>			<b>\$ 1,408,963</b>

\* Denotes major program

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2021**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation.* The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes all federal assistance to the College that had activity during 2021 or accrued revenue at June 30, 2021. This schedule has been prepared on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenues are recorded for financial reporting purposes when the College has met the qualifications for the respective program.

**NOTE 2. CONTINGENCIES**

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

**NOTE 3. INDIRECT COST RATE**

The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4. FEDERAL LOAN PROGRAM**

The College administers the Federal Direct Loan Program (Assistance Listing Number 84.268). During the fiscal year ended June 30, 2021, the College processed \$62,190 of new loans under the Federal Direct Loan Program. The amounts processed under the direct loan program are included on the Schedule of Expenditures of Federal Awards.

**NOTE 5. OTHER DISCLOSURES**

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

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2021**

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

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***Financial Statements***

Type of Auditor’s report issued: Unmodified

Internal control over financial reporting:  
Material Weakness reported? Yes

Significant deficiencies reported not  
considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

***Federal Awards***

Internal control over major programs:  
Material weaknesses reported? No

Significant deficiencies reported not  
considered to be material weaknesses? None

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

Any audit findings disclosed that are required to be reported  
in accordance with Uniform Guidance? No

Identification of major programs:  
Student Financial Assistance Cluster 84.063, 84.007, 84.268, 81.268

Dollar threshold used to distinguish  
Between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUUESTIONED COSTS  
Year Ended June 30, 2021**

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**SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT**

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**CU 2021-001 (2016-001) – Internal Controls over Financial Reporting and Closing (Material Weakness)  
(Repeated and Modified)**

**CONDITION:** During the fiscal year the Foundation did not have protocols or controls over the Foundations accounting activity. It appears that currently there are no controls over the processes within the foundation, and no management structure to ensure proper accounting practices. The Foundations books were not reconciled at year end and it was unclear as to whether periodic monitoring of activity was being performed.

- There was \$4,604 in Revenue in which adequate records could not be provide to determine the source and which student group the funds belong to.
- There was \$7,856 in Expenses in which adequate records could not be provide to determine the source and which student group the funds belong to.

Management has not made notable progress on clearing this funding.

**CRITERIA:** The COSO Internal Control Integrated Framework provides guidelines for designing and implementing a system of internal controls that incorporates five necessary components of internal controls. These five components consist of the control environment, risk assessment, control activities, information and communication, and monitoring. Good accounting practices require the Foundation to implement and follow sound accounting and internal control policies and procedures. The lack of records available for management review, audit and reporting results in an inability to determine where and how Foundation funds are utilized.

**EFFECT:** The Foundation is not adhering to proper accounting procedures to ensure that reliable financial records can be utilized for reporting and decision making. Without adequate records, the entity cannot effectively control fiscal operations through standard budgetary and fiscal reporting processes. In addition, not maintaining adequate records also increases an entity's risk of being subject to fraud.

**CAUSE:** The Foundation did not design or implement a system of internal controls to maintain the integrity and reporting of their financial data and did not require that activity was properly and timely monitored. Leading to a lack of adequate documentation to properly prepare financials records.

**RECOMMENDATION:** The Foundation should continue its efforts to search for a complete Board to meet the statutory requirements. The Board should also establish policies and procedures over their financial reporting and closing process and ensure these policies are followed, even when there is a change in Foundation management. In addition, we recommend that administrative/accounting staff be hired to mitigate the deficiency noted above.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUUESTIONED COSTS  
Year Ended June 30, 2021**

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**SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT - Continued**

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**CU 2021-001 (2016-001) – Internal Controls over Financial Reporting and Closing (Material Weakness)  
(Repeated and Modified) - Continued**

**MANAGEMENT’S RESPONSE:** On March 2022, LCC hired an external accountant to research the LCC Foundation financials for the past five years. The external accountant's findings agree with the audit findings indicated. Since then the LCC Foundation has created and adopted policies and procedures for all Foundation operations and transactions, created processes to ensure two signatures are needed for all expenditures, and created forms and processes to document all revenue and expenditures.

**RESPONSIBLE PARTY/TIMELINE TO CORRECT:** The Foundation in coordination with the President have already implemented new processes to ensure revenues and expenditures are recorded timely and with supporting documentation.

**2021-002 (2020-003) – Audit Submitted After the Statutory Deadline (Other Non-compliance)  
(Repeated and Modified)**

**CONDITION:** The audit report for the College was not submitted by the statutory deadline as referenced below.

Management has not made notable progress on clearing this funding.

**CRITERIA:** Pursuant to 2.2.2 (F) (8) NMAC, audits of higher education agencies are required to be submitted to the Office of the State Auditor no later than November 1 for the corresponding year end.

**EFFECT:** The auditor was not provided complete and timely information to allow for adequate audit procedures to be conducted prior to submission date.

**CAUSE:** The books and records of the Foundation were not reconciled and/or complete and remitted to the auditor in a timely fashion.

**RECOMMENDATION:** The College should re-evaluate the procedures and processes that the Foundation has in place to provide for a proper close out of financial records at year end.

**MANAGEMENT’S RESPONSE:** Luna Community College had an unusual number of employees retire/resign around the same timeframe. Due to this, the College was left short staffed and had difficulty providing the required documentation etc. to complete the audit in a timely manner. Luna Community College is now cross training and educating staff in the audit process etc. The College has also hired a Vice President of Finance & Administration who will be the Lead for audit and will coordinate efforts to ensure timely submission of the audit.

**RESPONSIBLE PARTY/TIMELINE TO CORRECT:** The Vice President of Finance & Administration is responsible for the Annual Audit. This position was filled in July 2022 and will spearhead the audit to ensure timely submission by the Statutory deadline.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2021**

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**SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT - Continued**

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**2021-003 – Chief Procurement Officer and Maintenance of Procurement Documentation (Other Non-compliance)**

**CONDITION:** It was noted that the College did not have an active Chief Procurement Officer in place for the year ended June 30, 2021. It was also noted that The Luna Community College Board approved RFP#2021 LCC-001 with GM Emulsion, LLC on 11/5/2020 for parking lot paving. The college could not provide any procurement compliance items besides the contract such as invitations for bids, verification of advertisement of bid and other procurement documentation.

**CRITERIA:** Per 13-1-95.2.A NMSA 1978, “On or before January 1 of each year beginning in 2014, and every time a chief procurement officer is hired, each state agency and local public body shall provide to the state purchasing agent the name of the state agency’s or local public body’s chief procurement officer and information identifying the state agency’s or local public body’s central purchasing office, if applicable.” Section 13-1-95.2 D NMSA 1978 also requires that the Chief Procurement Officer obtain an initial certification as well as recertification every two years.

**EFFECT:** The College is not in compliance with New Mexico State Statutes requiring the training, certification, and reporting of a Chief Procurement Officer. College is not in compliance with record retention of procurement documentation.

**CAUSE:** The College did not have a certified Chief Procurement Officer. Office moved location and it was possible documentation was lost during move as there was no CPO to ensure that all documentation was properly moved and accounted for.

**RECOMMENDATION:** The College should designate an individual with the appropriate skill set and position within the College to be its Chief Procurement Officer. This individual should obtain the necessary certification as soon as possible. Upon certification of a Chief Procurement Officer, the College should register this individual on the New Mexico General Services Department website.

**MANAGEMENT’S RESPONSE:** The College recently hired a Vice President of Finance and Administration who will also serve as the Chief Procurement Officer. The College has also sent three other fiscal personnel to get certified in Procurement.

**RESPONSIBLE PARTY/TIMELINE TO CORRECT:** The Vice President for Finance and Administration is responsible for ensuring compliance with New Mexico State Statutes. Certification is anticipated to occur in October 2022.

STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2021

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SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT - Continued

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**2021-004 – Travel and Per Diem (Other Non-compliance)**

**CONDITION:** During our test work we noted 1 travel disbursement totaling \$412.16, out of 10 travel disbursements tested did not have the travel authorization request form completed and approved prior to travel.

**CRITERIA:** Per NMAC 2.42.2.10 (A) Travel Advances – Authorizations, “upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer’s or employee’s request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMAC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under 2.42.2.12 NMAC.” The College’s travel and per diem policy required travel authorization request forms to be properly completed and approved no less than five working days prior to the trip.

**EFFECT:** The College is in violation of New Mexico Statutes and their own travel and per diem policy.

**CAUSE:** College personnel did not follow established travel and per diem policies of the College.

**RECOMMENDATION:** We recommend the College train all staff on current travel and per diem policies. We also recommend the College implement a review process to ensure all travel requests are properly approved and supported prior to travel.

**MANAGEMENT’S RESPONSE:** The College will require all staff to attend a Travel and Per Diem training. The College will also re-evaluate the review process and modify as needed.

**RESPONSIBLE PARTY/TIMELINE TO CORRECT:** The Executive Administrative Assistant for the Vice President of Finance and Administration in coordination with the Vice President for Finance and Administration will prepare and present the training. Training will take place within the first quarter of the fiscal year.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2021**

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**SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT - Continued**

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**2021-005 Lack of Controls over Payroll (Significant Deficiency)**

**CONDITION:** During our testing of payroll, it was noted that the College paid its employees prior to the pay period ending. This results in employees being paid wages prior to the services being rendered.

**CRITERIA:** Per NMAC 30.23.02 requires that New Mexico governmental entities shall not pay wages prior to services rendered.

**EFFECT:** The College is not in compliance with New Mexico State Statutes which could cause misuse of public funds.

**CAUSE:** The College calendar was created with pay dates occurring prior to the services being rendered as the College was unaware of the state statute.

**RECOMMENDATION:** The College should change the payroll calendar to ensure employees are not being paid prior to services being rendered.

**MANAGEMENT'S RESPONSE:** The College is in the process of reviewing different options for setting up a payroll schedule and will select the best option available with minimal impact to employees. The College is anticipating a bi-weekly/26 pay period calendar in line with other governmental entities.

**RESPONSIBLE PARTY/TIMELINE TO CORRECT:** The College anticipates having the plan ready for implementation in January 2023. This timeframe will minimize the impact related to W-2's and other payroll and tax reporting mandates. The Finance Director, HR Director and payroll accountant will work together to implement this change.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2021**

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**SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT - Continued**

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**2021-006 Invalid contract (Significant Deficiency)**

**CONDITION:** In a payroll test of 25 personnel files, we noted the following:

- 1 personnel action form, out of 25 was postdated. Contract date is August 28, 2020 through December 14, 2020. Contract approval is signed and dated 6/24/2021. Contract amount on form was noted on 3 pay periods for a total amount \$1,060.70.

**CRITERIA:** Signing a contract after the period performance does not make a valid contract. Invalid contract between Luna and employee can open either to litigation and issues with federal and state laws and regulations.

**EFFECT:** Employee effectively was paid for duties do not agree upon until after period of performance. Invalid contract was there no acceptance from the employee at the time of implementation. Possible violation with Fair Labor Standards Act.

**CAUSE:** Failure to obtain acceptance from the College representative and employee at before or at time of implementation of contract. High turnover and lack of training left position of president unoccupied for a period of time and there was no clear transition of responsibilities for another individual with adequate authority and skills to act as interim president or signatory on contract.

**RECOMMENDATION:** The College should review all personnel files to ensure that all documentation required by NMAC 6.20.2.18 is available and maintained within each personnel file.

**MANAGEMENT'S RESPONSE:** The College will review all personnel files to ensure all documentation required by NMAC 6.20.2.18 is included in each file. The College will implement a checklist to be utilized during Orientation of New Employees.

**RESPONSIBLE PARTY/TIMELINE TO CORRECT:** The Human Resources Director will audit employee files to ensure compliance. The Human Resources Director will develop and implement the checklist to be used during Orientation of new employees. The College anticipates having this file review completed by June 30, 2023.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2021**

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**SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT - Continued**

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**2021-007 Board of Directors Reimbursement Requests (Other Matter)**

**CONDITION:** During our testing we noted checks for 6 out of 6 board of director reimbursement requests totaling \$817.20 were processed and printed before the board meeting was held and actual reimbursement requests were submitted and approved.

**CRITERIA:** The COSO Internal Control Integrated Framework provides guidelines for designing and implementing a system of internal controls that incorporates five necessary components of internal controls. These five components consist of the control environment, risk assessment, control activities, information and communication, and monitoring. Good accounting practices require the College to implement and follow sound accounting and internal control policies and procedures. The College's travel and per diem policy requires reimbursement request forms to be properly completed and approved prior to payment being issued.

**EFFECT:** The lack of support prior to issuing payment could result in the College over and/or under paying for services.

**CAUSE:** The College was processing reimbursement checks for board meetings prior to the actual board meeting being held.

**RECOMMENDATION:** The College should review its policies and procedures related to the reimbursement of board member travel. We recommend the College update procedures to process reimbursement checks for board meetings after the meeting is held and support for the request has been obtained.

**MANAGEMENT'S RESPONSE:** The College has already changed the process for creation and distribution of Board payment. The College is no longer creating checks prior to meetings. The Board is now submitting the required documentation after the Board meeting takes place and then payment is processed once proper documentation is provided.

**RESPONSIBLE PARTY/TIMELINE TO CORRECT:** The Accounts Payable staff in coordination with the Vice President of Finance and Administration have already implemented a new process for paying Board members which ensures compliance with state statutes and regulations.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2021**

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**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD  
PROGRAMS AUDIT**

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None

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUUESTIONED COSTS  
Year Ended June 30, 2021**

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**SECTION IV – OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE,  
SECTION 12-6-5, NMSA 1978**

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None

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
STATUS OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2021**

**STATUS OF PRIOR YEAR FINDINGS**

<b>Description</b>		<b>Status</b>
CU 2020-001	Internal Controls over Financial Reporting and Closing	Modified and repeated as CU 2021-001
2020-002	Internal Controls over Culinary Arts Club Activity	Resolved
2020-003	Audit Submitted After the Statutory Deadline	Modified and repeated as 2021-002

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
EXIT CONFERENCE  
JUNE 30, 2021**

An exit conference was held on September 22, 2022, with the following in attendance:

**Luna Community College**

Dr. Edward Martinez	President
Kathy A. Romero	VP of Finance & Administration
Dr. Gilbert Sena	Chairman of the Board

**Pattillo, Brown & Hill, LLP**

Chris Garner, CPA	Partner
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Pattillo, Brown & Hill, LLP prepared the GAAP-basis financial statements and footnotes of Luna Community College from the original books and records provided to them by the management of the College. The responsibility for the financial statements remains with the College.