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**STATE OF NEW MEXICO
LUNA COMMUNITY
COLLEGE**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2020

Accounting • Business Consultation • Auditing & Assurance

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE**

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**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE**

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**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE**

BOARD OF TRUSTEES AND PRINCIPAL OFFICERS

Board of Trustees

<i>Appointed Members:</i>	<i>Title:</i>
Dr. Phyllis Martinez	Chairman of the Board
Dianna Medrano	Vice Chairman of the Board
Louise L. Portillos	Board Secretary
Mark Dominguez	Board Member
Kenneth Medina	Board Member
Maximiliano G. Tenorio, Jr.	Board Member

Principal Administrative Officials

Dr. Kenneth Patterson	Interim President
Donna Flores-Medina	Vice President of Finance

FINANCIAL SECTION



1030 18th Street NW
Albuquerque, NM 87104
505 338 0800 office www.riccicpa.com

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Luna Community College
and Brian S. Colón, Esq.,
New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the State of New Mexico Luna Community College (the "College") as of and for the year ended June 30, 2020, 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, as of and for the year ended June 30, 2020, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the College as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, 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 flows 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 Management's Discussion and Analysis and on pages 5 to 12 and the pension schedules on pages 49 to 51 for the College's participation in the Educational Retirement Board Pension Plan and the other post-employment benefit schedules on pages 52 to 54 for the College's participation in the Retiree Health Care OPEB plan 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. 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.

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 accompanying Schedule of Individual Deposit Accounts and Schedule of Pledged Collateral by Depository, as required by 2.2.2 NMAC and the Schedule of Expenditures of Federal awards as required by 2 US Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020, on our consideration of the College's internal control over financial reporting and on our test 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.

Ricci & Company, LLC

Albuquerque, New Mexico
December 1, 2020

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

INTRODUCTION

The management of Luna Community College (College or LCC) herewith presents its financial statements and required supplementary information for the year ended June 30, 2020. The following discussion and analysis provides an overview of the financial position and activities of the College and is intended to be user-friendly information for all readers.

This report is prepared as required to conform with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments*.

THE BASIC FINANCIAL STATEMENTS

Required under GASB 34/35 is the presentation of all of the College's year-end assets, liabilities and net assets in one column, as is the presentation of its expense, revenues and the resulting change in net assets, and its sources and uses of cash, in a one-column format. The purpose of these three reports is to show the College's financial position and annual activities in summary format, as if the College was a corporation, whereby all funds and cost centers are combined.

The three entity-wide reports, the **Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows**, are followed by the notes to the financial statements, including a comparison of the final budget to the original budget and of actual results to the final budget.

The **Statement of Net Position** presents the assets, liabilities and net assets for the College as of the end of the fiscal year. The **Statement of Net Position** is a point-in-time financial statement which gives the readers a fiscal snapshot of the College presenting end of year data about assets (current and non-current), liabilities (current and non-current), and net assets (assets minus liabilities).

Changes in total net assets are based on the activity in the **Statement of Revenues, Expenses, and Changes in Net Position** namely the revenues received by the College, both operating and non-operating, and any other revenue, and the expense incurred by the College.

The third financial statement is the **Statement of Cash Flows** that represents the inflows and outflows of cash from operating, capital, financial and investing activities. The statement is prepared using the direct method.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

REPORTING ENTITY

This financial report presents the basic financial statements of the College and any component units deemed material. The College's foundation was considered material and was presented as a component unit. The College has no other units to consider for inclusion in this report.

Luna Community College
Condensed Summary of Net Assets
June 30, 2020

	2020	2019
Assets		
Current assets	\$ 6,866,387	\$ 5,817,287
Non current assets-Deferred	4,411,242	5,955,603
Capital assets, net of accumulated depreciation	22,082,973	22,495,701
Total Assets	<u>\$ 33,360,602</u>	<u>\$ 34,268,591</u>
Liabilities		
Current liabilities	\$ 554,455	\$ 639,087
Noncurrent liabilities - Includes NPL, NOPEBL & Deferred	24,087,174	31,729,202
Total Liabilities	<u>\$ 24,641,629</u>	<u>\$ 32,368,289</u>
Net Assets		
Invested in capital assets, net of accumulated depreciation	\$ 22,082,973	\$ 22,495,701
Unrestricted	(14,270,264)	(21,475,286)
Total Net Assets	<u>\$ 7,812,709</u>	<u>\$ 1,020,415</u>

62% of the College's current assets consist of cash plus other assets deemed to be consumed or convertible to cash within one year which totaling \$4,241,622.

Current liabilities are amounts due within one year totaling \$554,455 down slightly from last year.

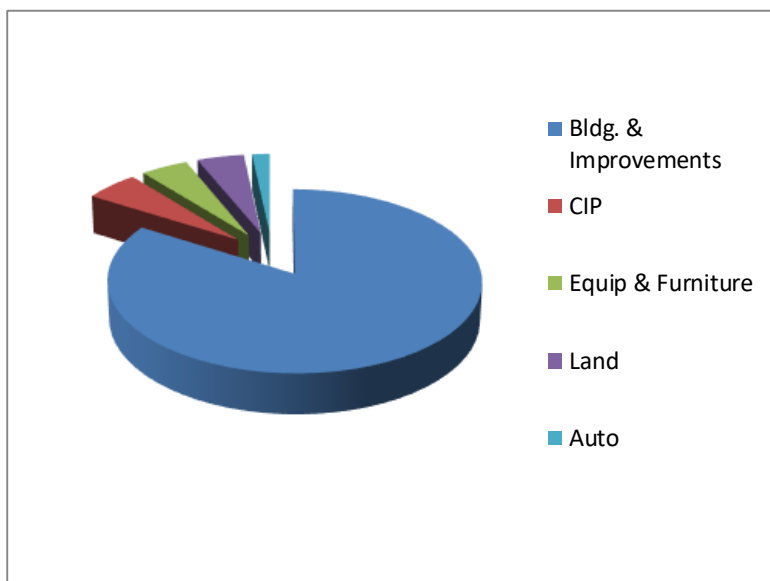
At June 30, 2020, the largest category of non-current assets is capital assets, net of accumulated depreciation \$ 22,082,973 with a 2% decline from prior year.

The significant increase in total net assets is attributable to the changes in Pension and OPEB activities.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

REPORTING ENTITY (Continued)

Capital Assets at Cost



Luna Community College
Condensed Summary of Revenue, Expenses and Changes in Net Assets
June 30, 2020

	2020	2019
Operating Revenues By Major Source		
Tuition - Net of Allowance	\$ 572,189	\$ 576,187
Contracts and grants	3,359,084	2,326,663
Sales and services of auxiliary enterprises	257,969	427,529
Other	31,260	675,627
	<u>4,220,502</u>	<u>4,006,006</u>
Operating Expenses By Major Function		
Instruction	977,857	5,321,703
Academic support	263,567	687,467
Student services	678,176	2,165,731
Institutional support	880,775	2,610,852
Operating and maintenance support	1,318,896	2,532,095
Public service	199,131	534,821
Student aid	1,931,833	1,521,186
Auxiliaries	152,461	382,492
Agency/Athletics/Student Activities	303,174	608,341
Renewals and Replacements	86,794	660,108
Depreciation	1,092,081	1,179,083
	<u>7,884,745</u>	<u>18,203,879</u>

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

REPORTING ENTITY (Continued)

Nonoperating Revenue (Expense)	2020	2019
Appropriations	\$ 8,307,499	\$ 7,905,200
Other	2,149,038	2,152,095
	<u>10,456,537</u>	<u>10,057,295</u>
Income (loss) before other revenues and expenses	6,792,294	(4,140,578)
Capital gains (losses) and gifts, net	<u>-</u>	<u>-</u>
Total increase (decrease) in net position	6,792,294	(4,140,578)
Net Position, Beginning of Year	<u>1,020,415</u>	<u>6,040,880</u>
Net Position, End of Year	<u>\$ 7,812,709</u>	<u>\$ 1,900,302</u>

Revenues in this reporting model are shown by source of funding. Operating revenues are generally defined as exchange transactions produced in conducting the primary business operations of the College, including instruction and public service. Non-operating revenues are generally defined as non-exchange revenues and include appropriations, gifts and investment income.

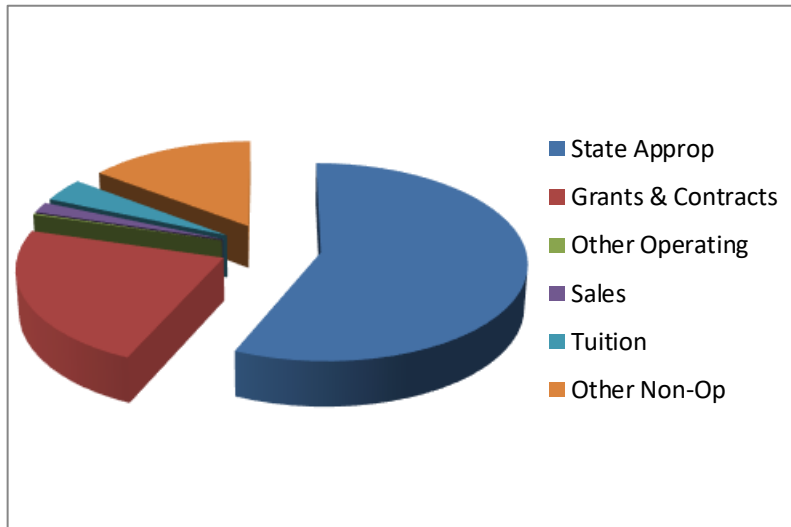
The significant increase in Net Position is due to the activity in the Pension and OPEB accounts.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

REPORTING ENTITY (Continued)

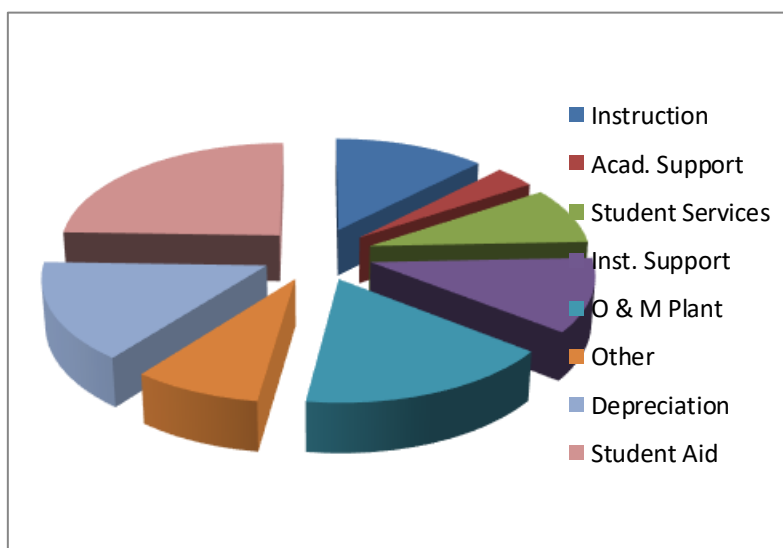
Although State of New Mexico appropriations are considered non-operating revenues, the College uses these funds to support key operations and the formula is performance driven. The following chart displays revenues by source (some categories are combined).

Revenue By Source



The College elected to present expenses on the Statement of Revenue, Expenses and Changes in Net Assets by major functions of the College. The chart below shows the distribution of operating expense by functional category with minor categories combined.

Expenses By Function



The College's 2020 Net Position showed an increase of \$ 6,792,294 primarily due to the activity in Pension and OPEB changes.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

REPORTING ENTITY (Continued)

Total net assets are classified by the College's ability to use these assets to meet operating needs. Net assets are restricted to their use by sponsoring agencies, donors or other non-LCC entities are classified as "non-expendable" and "expendable". The restricted net assets are further classified in general terms as to the function for which they must be used. Unrestricted net assets may be used to meet all operating needs of the College. The chart below shows the change in net assets by category.

Prior Year Comparison of Changes in Net Assets

	2020	2019	Change
Change in Net Assets	\$ 6,792,294	\$ (4,148,159)	\$ 10,940,453
Capital, net	22,082,973	22,495,701	(412,728)
Unrestricted	(14,270,264)	(21,475,286)	7,205,022

An analysis of financial position shows an significant increase to net position, due to GASB 68 and 75/OPEB current year activities.

Luna Community College
Condensed Summary of Cash Flows
June 30, 2020

	2020	2019
Cash Flows Used By Operating Activities	\$ (9,647,598)	\$ (9,234,110)
Cash Flows Provided From Noncapital Financing Activities	10,356,714	9,801,993
Cash Flows Provided From Investment Activities	16,802	2,673
Cash Flows Used By Capital and Related Financing Activities	(679,353)	(195,583)
Net Increase (Decrease) In Cash and Cash Equivalents	46,565	374,973
Cash and Cash Equivalents, Beginning of Year	4,352,213	3,977,240
Cash and Cash Equivalents, End of Year	\$ 4,398,778	\$ 4,352,213

Changes in Cash Flow were less than 1%

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

REPORTING ENTITY (Continued)

Budget and Results

There were no instances of exceeding the final budget. The Combined Revenue variance was less than 8% and the Combined Expenditure variance was less than 12% indicating a the budget was realistic and appropriate for operations.

Capital Asset Activity

The net change to Capital assets of (\$ 412,363) is largely attributable to Depreciation offset by a modest increase in Equipment Acquisitions..

Long Term Debt

Luna Community College does not have any long-term debt.

FACTORS IMPACTING FUTURE PERIODS & ECONOMIC OUTLOOK

The future economic outlook for Luna Community College is excellent. With Luna's Higher Learning Commission accreditation now free of sanctions, the institution is able to move forward with a Financial Viability Plan constructed in the summer of 2020. As the institution moves into more of a business model of operation, we are eliminating inefficiencies and placing demands on programs and personnel to operate productively, with a determined view toward profitability. Underproducing programs have been suspended, and non-profitable programs are being scrutinized in terms of program viability and possible elimination. Expansion of high-demand programs will demonstrate a significant positive revenue flow for the college in the coming quarters. Improved public relations standings will attract higher enrollments, and a newly-negotiated NC-SARA agreement will once again allow the college to teach online students who live out-of-state. This move will open a large gateway for enrollments as Luna looks to expand the AAS degree program in Business Administration into High School Academy Programs across the nation. Planned program expansions also include the AA degree program in Criminal Justice, along with Workforce Development certifications for Law Enforcement officer across a six-state region. In itself, this program could result in more than doubling the college's current headcount of students. With our stable finances and accreditation, we now have the possibilities before us to create a highly-efficient and viable institution based in academics and workforce development for our service area and far beyond. Luna Community College is poised for one of the largest periods of low-investment expansion in services and enrollments in its 50+ year history, due primarily to the move to an effective business model of operations. It's the best time ever to be a part of Luna Community College, as the future holds more possibilities than even our campus community can imagine.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

For more detail and explanations, the reader should refer to the notes and other required supplementary information contained in this document.

Contact Information

The reader is encouraged to contact the College with any questions or comments:

Luna Community College
Finance and Administration
366 Luna Drive
Las Vegas, NM 87701
www.luna.edu
Phone: (505) 454-5328

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
June 30, 2020**

	Primary Institution	LLC Foundation
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,241,622	\$ 157,156
Student accounts receivable, net	71,160	-
Property tax receivables	565,049	-
Grant receivables	995,422	-
Other receivables	-	3,414
Investments	-	745,694
Inventory	86,870	-
Total current assets	5,960,123	906,264
Noncurrent Assets		
Capital assets, net of accumulated depreciation	22,082,973	-
Total noncurrent assets	22,082,973	-
Deferred outflows for resources		
Deferred outflows - related to pensions	3,900,786	-
Deferred outflows - related to OPEB	510,456	-
Total deferred outflows of resources	4,411,242	-
Total assets and deferred outflows of resources	\$ 32,454,338	\$ 906,264
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 74,478	\$ -
Accrued liabilities	115,474	-
Unearned revenue	306,214	-
Accrued compensated absences	58,289	-
Total current liabilities	554,455	-
Noncurrent Liabilities		
Accrued compensated absences	289,646	-
Net pension liability	15,722,903	-
Net OPEB liability	4,444,342	-
Total non-current liabilities	20,456,891	-
Deferred inflows of resources		
Deferred inflows - related to pensions	998,856	-
Deferred inflows - related to OPEB	2,631,427	-
Total deferred inflows of resources	3,630,283	-
Total liabilities and deferred inflows of resources	24,641,629	-
NET POSITION		
Net investment in capital assets	22,082,973	-
Unrestricted	(14,270,264)	906,264
Total net position	7,812,709	906,264
Total net position, liabilities and deferred inflows of resources	\$ 32,454,338	\$ 906,264

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Year ended June 30, 2020**

	Primary Institution	LCC Foundation
OPERATING REVENUES		
Tuition and fees	\$ 800,157	\$ -
Tuition discounts and allowances	(227,968)	-
	<u>572,189</u>	<u>-</u>
Federal grants and contracts	1,973,750	-
State and local grants and contracts	1,237,212	-
Private grants and contracts	148,122	-
Sales and services of auxiliary enterprises	257,969	-
Other	31,260	719
Total operating revenues	<u>4,220,502</u>	<u>719</u>
EXPENSES		
Instruction and general		
Instruction	977,857	-
Academic support	263,567	-
Student services	678,176	-
Institutional support	880,775	-
Operations and maintenance support	1,318,896	-
Total instruction and general	<u>4,119,271</u>	<u>-</u>
Public service	199,131	-
Student aid grants and stipends	2,159,801	-
Tuition discounts and allowances	(227,968)	-
Auxiliary enterprises	152,461	-
Agency funds	4,999	-
Athletics	281,481	-
Student activities	16,694	-
Renewals and replacement	86,794	-
Depreciation	1,092,081	-
Total operating expenses	<u>7,884,745</u>	<u>-</u>
Operating loss	<u>(3,664,243)</u>	<u>719</u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION (CONTINUED)
Year ended June 30, 2020**

	Primary Institution	LCC Foundation
Non operating revenues		
State appropriations	\$ 8,307,499	\$ -
Local property tax levy	2,140,144	-
Interest and investment income	8,894	25,658
Other expenses	-	-
Net non-operating revenues	<u>10,456,537</u>	<u>25,658</u>
 Change in net position	 6,792,294	 26,377
 Net Position - beginning of year	 <u>1,020,415</u>	 <u>879,887</u>
 Net Position, end of year	 <u><u>\$ 7,812,709</u></u>	 <u><u>\$ 906,264</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Year ended June 30, 2020**

	Primary Institution	LCC Foundation
Cash Flows From Operating Activities		
Tuition and fees	\$ 725,275	\$ -
Grants and contracts	2,442,793	-
Sales and services	257,969	-
Other operating receipts	31,436	719
Payments to employees for salaries and benefits	(5,933,250)	-
Payments to suppliers	(7,172,540)	-
Net cash (used) provided by operating activities	(9,648,317)	719
Cash Flows From Noncapital Financing Activities		
State appropriations	8,307,499	-
Local property taxes	2,049,215	-
Net cash provided by noncapital financing activities	10,356,714	-
Cash Flows From Investment Activities		
Investment income	8,894	7,908
Net cash provided by investment activities	8,894	7,908
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(679,353)	-
Net cash used by capital and related financing activities	(679,353)	-
Net increase in cash and cash equivalents	37,938	8,627
Cash and cash equivalents, beginning of year	4,203,684	148,529
Cash and cash equivalents, end of year	\$ 4,241,622	\$ 157,156

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
Year ended June 30, 2020

	Primary Institution	LCC Foundation
Operating (loss) income	\$ (3,664,243)	\$ 719
Adjustments to reconcile operating (loss) income to net cash used by operating activities		
Depreciation expense	1,092,081	-
Discounts and allowances	-	-
Pension expense	(6,154,009)	-
Changes in assets and liabilities		
Receivables	(933,715)	-
Inventory	39,859	-
Accounts payable and accrued expenses	(44,476)	-
Unearned revenue	(57,282)	-
Compensated absences	73,468	-
Net cash (used) provided by operating activities	\$ (9,648,317)	\$ 719

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

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 accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, the accompanying financial statements present the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows of Luna Community College.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

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.

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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

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.

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, 2020, 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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

<u>Assets</u>	<u>Years</u>
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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 those assets.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

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, 2020.

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).

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process (Continued)

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 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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 2020 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, 2020.

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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. CASH DEPOSITS AND INVESTMENTS (CONTINUED)

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and 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, 2020, none of the College's bank balances of \$5,059,638 were exposed to custodial credit risk. None of the College's deposits were uninsured and uncollateralized at June 30, 2020.

	Southwest Capital Bank	Community 1st Bank	Total
Total amount of deposit	\$ 951,357	4,108,281	\$ 5,059,638
FDIC coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	701,357	3,858,281	4,559,638
Collateral requirement (50% of uninsured public funds)	350,679	1,929,141	2,279,820
Pledged securities held by the pledging institution or by its trust department or agent other than the Luna Community College	500,000	3,289,392	3,789,392
Over collateralized	<u>\$ 149,321</u>	<u>1,360,251</u>	<u>\$ 1,509,572</u>
Reconciliation to the Statement of Net Position:			
Deposits (above)			\$ 5,059,638
Petty cash			198
Reconciling items			(818,214)
Cash and cash equivalents per the statement of net position			<u>\$ 4,241,622</u>

The collateral pledged is listed on page 55 of this report.

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2. CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

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.

	Federally Insured	Insured and Collateralized	Uninsured and Uncollateralized	Total Depository Balance
Demand Deposits				
Community First Bank	\$ 138,496	-	-	\$ 138,496
Southwest Capital Bank	18,660	-	-	18,660
Total demand deposits	<u>\$ 157,156</u>	<u>-</u>	<u>-</u>	<u>\$ 157,156</u>
Certificates of Deposit				
Community First Bank	\$ 250,000	-	6,254	\$ 256,254
Southwest Capital Bank	250,000	-	239,440	489,440
Total certificates of deposit	<u>\$ 500,000</u>	<u>-</u>	<u>245,694</u>	<u>\$ 745,694</u>

NOTE 3. ACCOUNTS RECEIVABLE

The College's accounts receivable at June 30, 2020 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, 2020:

Student accounts receivable	\$ 1,011,462
Less: allowance for uncollectible accounts	<u>(940,302)</u>
Student accounts receivable, net	<u>71,160</u>
Property tax receivables	565,049
Federal and state grants receivable	<u>995,422</u>
Total account receivable, net	<u>\$ 1,631,631</u>

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4. CAPITAL ASSETS

The following table summarizes the changes in the College's capital assets during the fiscal year ended June 30, 2020. Land and construction in progress are not subject to depreciation expense.

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
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	<u>\$ 5,033,918</u>	<u>-</u>	<u>-</u>	<u>\$ 5,033,918</u>
Capital assets being depreciated				
Buildings	\$ 30,528,998	-	-	\$ 30,528,998
Building improvements	11,750,156	632,721	-	12,382,877
Equipment and furniture	2,677,822	46,632	(372,224)	2,352,230
Automobiles	887,047	-	(14,560)	872,487
Total other capital assets	<u>\$ 45,844,023</u>	<u>679,353</u>	<u>(386,784)</u>	<u>\$ 46,136,592</u>
Less accumulated depreciation:				
Buildings	\$ 20,975,429	584,457	-	\$ 21,559,886
Building improvements	4,325,358	320,159	-	4,645,517
Equipment and furniture	2,237,330	162,777	(372,224)	2,027,883
Automobiles	844,123	24,688	(14,560)	854,251
Total accumulated depreciation	<u>28,382,240</u>	<u>1,092,081</u>	<u>(386,784)</u>	<u>29,087,537</u>
Other capital assets, net	<u>\$ 17,461,783</u>	<u>(412,728)</u>	<u>-</u>	<u>\$ 17,049,055</u>
Capital assets summary				
Capital assets not being depreciated	\$ 5,033,918	-	-	\$ 5,033,918
Other capital assets	45,844,023	679,353	(386,784)	46,136,592
Total cost of capital assets	50,877,941	679,353	(386,784)	51,170,510
Less accumulated depreciation	28,382,240	1,092,081	(386,784)	29,087,537
Capital assets, net	<u>\$ 22,495,701</u>	<u>(412,728)</u>	<u>-</u>	<u>\$ 22,082,973</u>

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 4. CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year totaled \$1,092,081.

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, 2020 as follows:

Accrued compensated absences - beginning of the year	\$ 274,467
Additions	223,667
Deletions	(150,199)
Accrued compensated absences - end of year	<u>\$ 347,935</u>

The College estimates that \$58,289 will be due within one year.

NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD

General Information about the Pension Plan

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.

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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

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

General Information about the Pension Plan (Continued)

Plan Description (Continued)

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>
1-10	1.35%
11-20	2.35%
21-30	3.35%
31 plus	2.40%

FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater

Summary of Plan Provisions for Retirement Eligibility

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

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

General Information about the Pension Plan (Continued)

Summary of Plan Provisions for Retirement Eligibility (Continued)

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.

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

- 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 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.

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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

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

General Information about the Pension Plan (Continued)

Benefit Options (Continued)

- *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.

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 may 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.

<u>Membership</u>	<u>Age Eligible for COLA</u>
Tier 1	65
Tier 2	65
Tier 3	67
Tier 4	67

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LUNA COMMUNITY COLLEGE
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NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

General Information about the Pension Plan (Continued)

Cost of Living Adjustment (COLA) (Continued)

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.

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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

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

General Information about the Pension Plan (Continued)

Contributions

For the fiscal years ended June 30, 2020 and 2019 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
2020	7-1-19 to 6-30-20	Over \$20K	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%
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%	0.00%

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, 2020 and 2019, the College paid employee and employer contributions of \$1,488,064 and \$1,474,799, 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, 2020, the College reported a liability of \$15,722,903 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2019 using generally accepted actuarial principles.

House Bill 360 made several changes to benefit provisions, which were effective July 1, 2019. These included:

- Increasing the employer contribution rate by 0.25%, from 13.9% to 14.15%;
- Increasing from \$20,000 to \$24,000 the member salary range subject to the lower 7.90% contribution rate (higher rate is 10.70%);
- Increasing the employer contribution to ERP on behalf of ARP members from 3.0% to 3.25%;

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June 30, 2020**

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

General Information about the Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

- Implementing anti-spiking measures to prevent artificially increasing benefits;
- Requiring all working retirees and their employers to contribute to ERP; and
- For members hired after June 30, 2019, using a tiered multiplier instead of a single multiplier to calculate retirement benefits upon retirement.

These changes have been reflected in the roll-forward and in the projection 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, 2019, actuarially determined. At June 30, 2019, the College's proportion was 0.20750%, which was an increase of 0.01124% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the College recognized pension income of \$4,901,934. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 412,076
Changes of assumptions	2,215,395	-
Net difference between projected and actual earnings on pension plan investments	-	334,845
Changes in proportion and differences between contributions and proportionate share of contributions	827,430	251,935
Employer contributions subsequent to the measurement date	857,961	-
Total	\$ 3,900,786	\$ 998,856

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LUNA COMMUNITY COLLEGE
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June 30, 2020

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

General Information about the Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$857,961 reported as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:

2020	\$ 1,819,661
2021	179,431
2022	88,526
2023	(43,649)
	<u>\$ 2,043,969</u>

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

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	Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, no set back, generational mortality improvements with Scale BB from the table's base year of 2000. Healthy females: 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.

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

General Information about the Pension Plan (Continued)

Actuarial Assumptions (Continued)

Mortality (Continued)	<p>Disabled males: Based on RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: Based on RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: Based on RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
Retirement Age	Experience-based table rates based on age and service, adopted by the NMERB Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.
Cost-of-living increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.
Payroll growth	3.00% per year (with no allowance for membership growth).
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.
Disability incidence	Approved rates are applied to eligible members with at least 10 years of service.

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LUNA COMMUNITY COLLEGE
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June 30, 2020**

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

General Information about the Pension Plan (Continued)

Actuarial Assumptions (Continued)

Actuarial assumptions and methods are set by the Plan's Board of Trustees, 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 several 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%.

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	31%	
Fixed income	26%	
Alternatives	42%	
Cash	1%	
Total	<u>100%</u>	<u>7.25%</u>

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2019. This is a 1.56% percent increase over the rate of 5.69% rate used in the prior measurement year. The 7.25% was based on a long-term expected rate of return on pension plan investments of 7.25%. 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 of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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.

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LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

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

General Information about the Pension Plan (Continued)

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the *employer name*'s proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the *employer name*'s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Luna Community College's proportionate share of the net pension liability	\$ 21,224,715	\$ 15,722,903	\$ 11,172,381

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in separately issued NMERB'S financial reports. The reports can be found on NMERB's Web site at https://www.nmerb.org/Annual_reports.html.

Payables to the pension plan

At June 30, 2020, the College reported a payable of \$6,809 for outstanding contributions due to ERB.

NOTE 7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB

Plan Description

Employees of 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.

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LUNA COMMUNITY COLLEGE
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NOTE 7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

General Information about the OPEB (Continued)

Plan Description (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, 2019, 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 \$121,060 for the year ended June 30, 2020.

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
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NOTE 7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

General Information about the OPEB (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the College reported a liability of \$4,444,342 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2019. At June 30, 2019, the College's proportion was 0.13707 percent.

For the year ended June 30, 2020, the College recognized OPEB income of \$266,581. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,118,422
Net difference between projected and actual investment earnings on OPEB plan investments	-	41,321
Changes in assumptions	-	1,434,419
Changes in proportion	389,396	37,265
Employer contributions subsequent to the measurement date	121,060	-
	<u>\$ 510,456</u>	<u>\$ 2,631,427</u>

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

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

General Information about the OPEB (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Deferred outflows of resources totaling \$121,060 represent College contributions made subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (628,591)
2021	(628,591)
2022	(539,476)
2023	(298,487)
2024	(146,886)
	<u>\$ (2,242,031)</u>

Actuarial Assumption

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019 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
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.50% for PERA members
Projected salary 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	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 plan costs
Mortality	ERB members: 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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
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June 30, 2020**

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

General Information about the OPEB (Continued)

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:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
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 4.16% as of June 30, 2019. 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 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 2039. The index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used beyond 2039, resulting in a blended discount rate of 4.16%.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
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June 30, 2020**

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

General Information about the OPEB (Continued)

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 (3.16 percent) or 1-percentage-point higher (5.16 percent) than the current discount rate:

	1% Decrease (3.16%)	Current Discount Rate (4.16%)	1% Increase (5.16%)
Luna Community College's proportionate share of the net OPEB liability	\$ 5,346,502	\$ 4,444,342	\$ 3,664,412

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:

	1% Decrease	Current Trend Rates	1% Increase
Luna Community College's proportionate share of the net OPEB liability	\$ 3,700,201	\$ 4,444,342	\$ 5,040,132

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, 2019.

Payable Changes in the Net OPEB Liability

At June 30, 2020, the College had no outstanding contributions due to NMRHCA.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

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.

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 College 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, 2020.

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.

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LUNA COMMUNITY COLLEGE
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June 30, 2020**

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.

NOTE 13. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2020, have been evaluated for possible adjustment to the financial statements or disclosures December 1, 2020, the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a global pandemic, which continues to spread throughout the United States and around the world. As of December 1, 2020, the College is aware of changes in its business as a result of COVID-19 but uncertain of the impact of those changes on its financial position, results of operations or cash flows. Management believes any disruption, when and if experienced, could be temporary; however, there is uncertainty around when any disruption might occur, the duration and hence the potential impact. As a result, we are unable to estimate the potential impact on our business as of the date of issuance.

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

NOTE 14. RECENT PRONOUNCEMENTS

The College evaluated the following Governmental Accounting Standards Board Statements (GASBS) which became effective in the year ended June 30, 2020:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FY 2020). As allowed by GASB Statement No. 95, the College has elected to delay implementation of this standard for one year.

In August 2018, the GASB issued Statement No. 90, *Majority Interests an amendment of GASB Statements No. 14 and No. 6*. The requirements of this statement are effective for periods beginning after December 15, 2018 (FY 2020). As allowed by GASB Statement No. 95, the College has elected to delay implementation of this standard for one year.

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 14. RECENT PRONOUNCEMENTS (Continued)

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the specified pronouncements are postponed by one year. The effective date for GASB Statement No. 87, *Leases*, has been postponed by 18 months. The requirements of this statement are effective immediately. The College has adopted this standard in the year ended June 30, 2020.

The following standards have been issued but have future implementation dates:

In June 2017, the GASB issued Statement No. 87, *Leases*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for eighteen months. Earlier application is encouraged. The College is still evaluating how this pronouncement will affect future financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for one year. Earlier application is encouraged. The College is still evaluating how this pronouncement will affect future financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (FY 2022), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for one year. Earlier application is encouraged. The College will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This Statement addresses a variety of topics. The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements of this Statement for all other topics are effective for reporting periods beginning after June 15, 2020 (FY 2021), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for one year. Earlier application is encouraged. The College will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 14. RECENT PRONOUNCEMENTS (Continued)

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address agreements in which variable payments made or received depend on an interbank offered rate (IBOR) and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021 (FY 2023). All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020 (FY 2021), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for one year. Earlier application is encouraged. The College will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (FY 2022). Earlier application is encouraged. The College will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (FY 2023). Earlier application is encouraged. The College will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021 (FY 2022). The College will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
June 30, 2020

New Mexico Educational Retirement Board Pension Plan
Schedule of Ten Year Tracking Data to last 10 Fiscal Years*

	Fiscal year	2020	2019	2018	2017	2016
	Measurement date	2019	2018	2017	2016	2015
College's proportion of the net pension liability (assets)		0.20750%	0.19626%	0.19483%	0.21608%	0.21326%
College's proportionate share of net pension liability (assets)	\$	15,722,903	23,337,926	21,652,370	15,550,054	\$ 13,813,418
College's covered employee payroll	\$	6,022,101	5,483,835	5,550,668	5,882,681	\$ 5,916,574
College's proportionate share of net pension liability (assets) as a percentage of its covered employee payroll		261.09%	425.58%	390.09%	264.34%	233.47%
Plan fiduciary net position as a percentage of the total pension liability		64.13%	52.17%	52.95%	61.58%	63.97%

* *Governmental Accounting Standards Board Statement No. 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.

See Notes to Required Supplementary Information

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS – NET PENSION
June 30, 2020

New Mexico Educational Retirement Board Pension Plan
Schedule of Ten Year Tracking Data to last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutory Required Contribution	\$ 857,960	837,072	762,253	771,543	842,639
Contribution in Relation to the Statutorily required contribution	<u>857,960</u>	<u>837,072</u>	<u>762,253</u>	<u>771,543</u>	<u>842,639</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
College's Covered Payroll	\$ 6,063,322	6,022,101	5,483,835	5,550,668	5,882,681
Contributions as a percentage of covered payroll	14.15%	13.90%	13.90%	13.90%	14.32%

* *Governmental Accounting Standards Board Statement No. 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.

See Notes to Required Supplementary Information

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION
June 30, 2020**

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

Changes in Pension 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%.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE
SHARE OF THE OPEB LIABILITY
June 30, 2020**

New Mexico Retiree Health Care Authority OPEB Plan
Last 10 Fiscal Years*

	Fiscal year	2020	2019	2018
	Measurement date	2019	2018	2017
College's proportion of the net OPEB liability (assets)		0.13707%	0.12842%	0.12945%
College's proportionate share of net OPEB liability (assets)	\$	4,444,342	5,584,157	5,866,251
College's covered employee payroll	\$	6,049,700	5,483,835	5,550,668
College's proportionate share of net OPEB liability (assets) as a percentage of its covered employee payroll		73.46%	101.83%	105.69%
Plan fiduciary net position as a percentage of the total OPEB liability		18.92%	13.14%	11.34%

* Governmental Accounting Standards Board Statement No. 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 2018, the year the statement's requirements became effective.

See Notes to Required Supplementary Information

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS - OPEB
June 30, 2020

New Mexico Retiree Health Care Authority OPEB Plan
Last 10 Fiscal Years* (Continued)

	2020	2019	2018
Statutory Required Contribution	\$ 121,060	120,994	109,676
Contributions in Relation to the Statutorily Required Contribution	<u>121,060</u>	<u>120,994</u>	<u>109,676</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
College's Covered Payroll	\$ 6,053,170	6,049,700	5,483,835
Contributions as a percentage of Covered Payroll	2.00%	2.00%	2.00%

* Governmental Accounting Standards Board Statement No. 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.

See Notes to Required Supplementary Information

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
June 30, 2020**

Changes in plan membership. At June 30, 2019 (captured as of January 1, 2019, with service for active members increased by half-year from census date to valuation date).

Changes in OPEB assumptions and methods. The mortality, retirement, disability, turnover, and salary increase assumptions are based on the Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018 and the New Mexico Educational Retirement Board (ERB) Actuarial Experience Study as of June 30, 2018.

Changes in OPEB benefit provisions. For calendar years 2017 and prior there was a NMRHCA paid basic life benefit of \$6,000 for all retirees who commenced benefits on or before December 31, 2012. The \$6,000 benefit decreased \$1,500 per year commencing January 1, 2018 until January 1, 2021 at which time retirees must pay 100% of the premium cost.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
COMBINED REVENUES AND EXPENDITURES BUDGET COMPARISONS –
UNRESTRICTED AND RESTRICTED – ALL OPERATIONS
Year ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 2,476,725	4,036,688	4,036,688	\$ -
Revenues:				
State general fund appropriations	8,307,500	8,307,500	8,307,499	(1)
Federal revenue sources	2,248,806	2,277,729	1,961,106	(316,623)
Tuition and fees	795,145	801,145	796,192	(4,953)
Endowment, land and permanent fund	-	-	-	-
Private gifts, grants and contracts	2,926,298	4,235,581	3,415,017	(820,564)
Other	435,000	410,902	401,695	(9,207)
Total revenues	14,712,749	16,032,857	14,881,509	(1,151,348)
Expenditures:				
Instruction	4,518,872	4,870,666	3,674,468	(1,196,198)
Academic support	555,359	555,359	489,836	(65,523)
Student services	1,924,498	1,924,498	1,649,573	(274,925)
Institutional support	2,463,286	2,480,886	2,023,424	(457,462)
Operation and maintenance of plant	2,251,742	2,371,742	1,912,157	(459,585)
Subtotal Instruction and general	11,713,757	12,203,151	9,749,458	(2,453,693)
Student social and cultural	23,645	23,645	16,342	(7,303)
Research	-	-	-	-
Public service	434,294	632,299	484,213	(148,086)
Student aid	2,829,129	2,857,784	2,159,801	(697,983)
Auxiliary enterprises	351,571	269,407	216,358	(53,049)
Intercollegiate athletics	535,055	535,055	454,828	(80,227)
Capital outlay	-	1,223,694	680,075	(543,619)
Renewal and replacements	269,884	485,366	86,441	(398,925)
Retirement of indebtedness	-	-	-	-
Total expenditures	16,157,335	18,230,401	13,847,516	(4,382,885)
Net Transfers to (from)	-	-	-	-
Change in net assets (budgetary basis)	(1,444,586)	(2,197,544)	1,033,993	3,231,537
Ending fund balance	\$ 1,032,139	1,839,144	5,070,681	\$ 3,231,537

Reconciliation of Change in Fund Balance (Budgetary Basis) to Change in Net Position (GAAP Basis)

Change in fund balance (budgetary basis)	\$ 1,033,993
Adjustments:	
Depreciation expense	(1,092,081)
Purchase of capital assets	679,353
Pension activity	5,766,033
OPEB activity	387,976
Other reconciling items	17,020
Financial statements change in net position reconciled to budgetary basis	\$ 6,792,294

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
UNRESTRICTED CURRENT FUNDS
SUMMARY OF INSTRUCTION AND GENERAL REVENUES
AND EXPENDITURES - BUDGET COMPARISONS
Year ended June 30, 2020**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 2,389,401	3,653,725	3,653,725	\$ -
Revenues:				
Tuition and fees	771,500	777,500	767,317	(10,183)
Government appropriations - state	7,811,300	7,811,300	7,822,826	11,526
Government appropriations - local	1,900,000	1,900,000	2,140,145	240,145
Gifts, grants and contracts - private	2,000	12,000	37,176	25,176
Other sources	18,000	12,000	21,750	9,750
Total revenues	10,502,800	10,512,800	10,789,214	276,414
Expenditures:				
Instruction	4,364,801	4,651,346	3,505,026	(1,146,320)
Academic support	555,359	555,359	489,836	(65,523)
Student services	1,924,498	1,924,498	1,649,574	(274,924)
Institutional support	2,463,286	2,480,886	2,023,848	(457,038)
Operation and maintenance of plant	2,251,742	2,371,742	1,911,733	(460,009)
Total expenditures	11,559,686	11,983,831	9,580,017	(2,403,814)
Net Transfers to (from)	381,622	413,310	388,276	(25,034)
Change in net assets - budgetary basis	(1,438,508)	(1,884,341)	820,921	2,705,262
Ending fund balance	\$ 950,893	1,769,384	4,474,646	\$ 2,705,262

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
RESTRICTED CURRENT FUNDS
SUMMARY OF INSTRUCTION AND GENERAL
REVENUES AND EXPENDITURES – BUDGET COMPARISONS
Year ended June 30, 2020**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Tuition and fees	\$ -	16,845	8,532	\$ (8,313)
Grants and contracts - federal	52,106	55,876	50,165	(5,711)
Grants and contracts - state	101,965	136,599	110,744	(25,855)
Gifts, grants and contracts - private	-	10,000	-	(10,000)
Other sources	-	-	-	-
	<u>154,071</u>	<u>219,320</u>	<u>169,441</u>	<u>(49,879)</u>
Total revenues and cash balance budgeted	<u>154,071</u>	<u>219,320</u>	<u>169,441</u>	<u>(49,879)</u>
Expenditures:				
Instruction	154,071	219,320	169,441	(49,879)
Academic support	-	-	-	-
Total expenditures	<u>154,071</u>	<u>219,320</u>	<u>169,441</u>	<u>(49,879)</u>
Change in net assets - budgetary basis	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS
June 30, 2020

College:

Account	Type	Southwest Capital Bank	Community First Bank	Total
General disbursement	Checking	\$ 951,357	-	\$ 951,357
General disbursement	Checking	-	3,325,810	3,325,810
Payroll account	Checking	-	700,448	700,448
Student Activity	Checking	-	82,023	82,023
Amount on deposit		951,357	4,108,281	5,059,638
Reconciling items		-	(818,214)	(818,214)
		<u>\$ 951,357</u>	<u>3,290,067</u>	<u>\$ 4,241,424</u>
			Petty cash	198
			Total cash and cash equivalents	<u>\$ 4,241,622</u>

Foundation:

Account	Type	Southwest Capital Bank	Community First Bank	Total
7505701	Checking	\$ 4,435	-	\$ 4,435
7505728	Checking	14,225	-	14,225
16711	Investment	110,604	-	110,604
1621761	Investment	63,919	-	63,919
1622343/1622862	Investment	59,343	-	59,343
1622859	Investment	178,546	-	178,546
1622054	Investment	77,028	-	77,028
CFB Operating	Checking	-	672	672
CFB Golf	Checking	-	43	43
CFB Helen O'Brien	Checking	-	137,781	137,781
15890	Investment	-	132,124	132,124
15804	Investment	-	124,130	124,130
Total cash and cash equivalents and investments		<u>\$ 508,100</u>	<u>394,750</u>	<u>\$ 902,850</u>

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
June 30, 2020

	Southwest Capital Bank Las Vegas, NM	Community 1st Bank Las Vegas, NM	Total
Amount of deposits	\$ 951,357	4,108,281	\$ 5,059,638
FDIC insurance coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	<u>\$ 701,357</u>	<u>3,858,281</u>	<u>\$ 4,559,638</u>
Collateral requirement per section 6-10-17 NMSA (50% of uninsured deposits)	<u>\$ 350,679</u>	<u>1,929,141</u>	<u>\$ 2,279,820</u>
Pledged Collateral:			
FHLB letter of credit (4305000004)	500,000	-	500,000
FHLB fixed rate note (CUSIP 3130A1XJ2)	-	3,289,392	3,289,392
Total pledged collateral	<u>500,000</u>	<u>3,289,392</u>	<u>3,789,392</u>
Over collateralized	<u>\$ 149,321</u>	<u>1,360,251</u>	<u>\$ 1,509,572</u>

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2020**

Federal Grantor/Program Title	CFDA#	Award/ Sub Award #	Amount Passed Through to Subrecipients	Expenditures
US Department of Education				
Direct Awards				
Student financial assistance cluster:*				
PELL Grant 18-19	84.063	18-19	\$ -	\$ 2,324
PELL Grant 19-20	84.063	19-20	-	1,240,775
SEOG 19-20	84.007	19-20	-	50,265
Fed College Work-Study 18-19	84.033	18-19	-	630
Fed College Work-Study 19-20	84.033	19-20	-	31,822
Direct Loans Subsidized 18-19	84.268	18-19	-	1,761
Direct Loans Subsidized 19-20	84.268	19-20	-	80,545
Direct Loans Un-Subsidized 19-20	84.268	19-20	-	46,707
Total student financial aid cluster			-	1,454,829
COVID-19 Education Stabilization	84.425E	P425E204569	-	182,600
COVID-19 Education Stabilization	84.425F	P425F202698	-	199,700
Passed through State of New Mexico				
Doctoral Dissertation Rsch Abnd (Adult Basic Ed)	84.022	PO10560 19-20	-	50,165
Total US Department of Education			-	1,887,294
United States Treasury				
AmeriCorps State and National	94.006	19-20	-	1,534
Total United States Treasury			-	1,534
US Department of Health and Human Services				
Passed through the University of New Mexico				
AHEC-POSME 18-19	93.107	Subaward#3RF40	-	14,827
AHEC-POSME 19-20	93.107	Subaward#3RDA1-F	-	68,595
Total US Department of Health and Human Services			-	83,422
National Science Foundation				
Passed through New Mexico State University				
NM Alliance for Minority Participa	47.076		-	1,500
Total National Science Foundation			-	1,500
Total Expenditures of Federal Awards			\$ -	\$ 1,973,750

* Denotes major program

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year ended June 30, 2020**

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 2020 or accrued revenue at June 30, 2020. 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 (CDFA 84.268). During the fiscal year ended June 30, 2020, the College processed \$129,013 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.

OTHER REPORTS



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**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***

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Luna Community College
and
Brian S. Colón, Esq.
New Mexico State Auditor

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the respective budgetary comparisons of the State of New Mexico, Luna Community College (the "College") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 1, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned 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 findings and questioned costs as item CU 2020-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter which is required to be reported under *Government Auditing Standards*. We noted certain other matters that are required to be reported per section 12-6-5 NMSA 1978, that we have described in the accompanying schedule of findings and questioned costs under other matters as required by Section 12-6-5 NMSA 1978 as item 2020-003.

Management's Response to Findings

Management's response to the findings identified in our audit is described in the accompanying schedule of Findings and Questioned Costs. Management's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Ricci & Company LLC

Albuquerque, New Mexico
December 1, 2020



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

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Luna Community College
and
Brian S. Colón, Esq.
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the State of New Mexico Luna Community College's (the "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, 2020. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' 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* 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.

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 material effect on each of its major federal programs for the year ended June 30, 2020.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance which we consider to be a material weakness.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the College as of and for the year ended June 30, 2020, and have issued our report thereon dated December 1, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Ricci & Company, LLC

Albuquerque, New Mexico
December 1, 2020

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2020**

SECTION 1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's report issued:	<u>Unmodified</u>
Internal Controls Over Financial Reporting:	
Material Weakness reported?	Yes
Significant Deficiencies reported not Considered to be material weaknesses?	Yes
Noncompliance material to financials statements noted?	No

Federal Awards

Internal control over major programs:	
a. Material weakness reported?	No
b. Significant deficiencies reported not considered to be material weaknesses?	No
c. Know questioned costs greater than \$25,000 for compliance requirement for a major program?	No
d. Known questioned costs greater than \$25,000 for which is not audited as a major program?	No
e. Known or likely fraud?	No
f. Significant instances of abuse relating to major programs?	No
g. Circumstances causing the auditor's report on compliance for each major program to be modified, unless otherwise reported as audit findings?	No
h. Instances where results of audit follow up procedures disclosed that the summary schedule of prior year audit findings prepared by the auditee materially misrepresents the status of any prior audit findings?	No
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:	
CFDA Number	Name of Federal Program or Cluster
Various	Student financial assistance cluster
84.425	Education Stabilization Fund
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 QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2020**

SECTION 2 – STATUS OF PRIOR YEAR FINDINGS

CU 2020-001 (2016-001) – Internal Controls over Financial Reporting and Closing
Material Weakness - Repeated and Modified

SECTION 3 - CURRENT YEAR FINDINGS AND RESPONSES

2020-002 – Internal Controls over Culinary Arts Club Activities – Significant Deficiency

SECTION 4 -FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION 5 - FINDINGS IN ACCORDANCE WITH 2.2.2.NMAC.

2020-003 Audit Submitted After the Statutory Deadline (Other Non-compliance)

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2020**

FINANCIAL STATEMENT FINDINGS

CU 2020-001 (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.

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.

Recommendation

The Foundation should continue its efforts the search to for 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 QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2020**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

CU 2020-001 (2016-001) Internal Controls over Financial Reporting and Closing (Material Weakness) (Repeated and Modified) (Continued)

Management response

The Luna Community College Foundation will meet in regular and special meetings during the months of December, 2020 and January, 2021 to fill vacancies in the Board, meeting statutory requirements. Beginning immediately, the Foundation will begin the process of implementing and following sound accounting and internal control policies and procedures. These policies and procedures will encompass the full financial scope of the Foundation's work and include all areas of financial management, including deposit management, financial reporting and closing processes, and established timelines for such work. The board is in the process of hiring a part-time Executive Director. The executive director will be tasked with putting in place the procedures to safeguard the assets of the Foundation and provide the Board with quarterly financial statements and progress reports. The Foundation is always looking for board members that will enhance the professionalism of the Luna College Foundation.

Timeline to correct

The Foundation will begin immediate work to develop fiscal policies and procedures as previously stated in the Findings. Failure, by the Foundation, to fully implement sound fiscal policies and procedures, as stated in the Findings, by the end of the First Quarter of 2021 (March 31, 2021) will initiate an institutional initiative to evaluate the validity of the Foundation vs. an internal Development Office, which may be better equipped to adequately manage fiscal operations.

Responsible Official

Interim President

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2020**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

2020-002 Internal Controls over Culinary Arts Club Activity (Significant Deficiency)

Condition

Upon review of procurement documents related to Culinary Arts Club, it was noted that the President's signature was apparently forged by an unknown individual.

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. Indications of fraudulent authorizations indicate that a higher level of scrutiny and monitoring of Culinary Arts activities need to be incorporated into the controls over these activities.

Cause

For unknown reasons, an individual circumvented the process for attaining an authorized signature by attempting to forge the President's signature as part of the procurement process.

Effect

The College is in violation of its internal procurement policies and has demonstrated a breakdown in internal controls over culinary arts club activities.

Auditor recommendation

We recommend that the College modify and or revise existing policies to strengthen controls over the culinary arts club activities to ensure that all transactions are properly authorized and approved by a designated signer and that these are reviewed for propriety.

Management response

The Campus Life Coordinator during this finding has resigned and a new Campus Life Coordinator has been appointed. Internal controls and policies are in place regarding the approval of club activities and will be strictly adhered to by the new Campus Life Coordinator.

Timeline to correct

Correction has already been made at the date of the audit report.

Responsible Official

Acting VP of Instruction and Student Services

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2020**

SECTION 12-6-5 NMSA 1978 FINDINGS

2020-003 Audit Submitted After the Statutory Deadline (Other Non-compliance)

Condition

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

Criteria

Pursuant to 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.

Cause

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

Effect

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

Auditor 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 response

Please see response to Finding 2020-001. Acceptable fiscal policies and procedures would provide for timely reporting, such as is reported in this item.

Timeline to correct

As with Finding 2020-001, the Foundation will begin immediate work to develop fiscal policies and procedures (including reporting) as previously stated in the Findings. Failure, by the Foundation, to fully implement sound fiscal policies and procedures, as stated in the Findings, by the end of the First Quarter of 2021 (March 31, 2021) will initiate an institutional initiative to evaluate the validity of the Foundation vs. an internal Development Office, which may be better equipped to adequately manage fiscal operations.

Responsible Official

Interim President

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
EXIT CONFERENCE
Year ended June 30, 2020**

An exit conference was held on December 10, 2020, with the following in attendance:

Luna Community College

Dr. Phyllis Martinez, LCC Board of Trustees, Chairwoman

Louise Portillos, LCC Board of Trustees, Secretary

Dr. Patterson, Interim President

Donna Flores-Medina, CFO, Vice President of Finance & Administration

Maxine Hughes, Interim Vice President of Academics and Student Services

Carolyn Chavez, HR Director

Francina Martinez, Comptroller

Michael Montoya, Financial Aid Director

Ella Arrellano, Foundation Board Member

Matthew Bowie, IT Director

Evelyn Montoya, Finance & Administration

Ricci & Company LLC Personnel:

Mark Santiago, CPA, Senior Audit Manager

Bethy Bai, CPA, Senior Audit Staff