

STATE OF NEW MEXICO

LUNA COMMUNITY COLLEGE

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022



PATTILLO, BROWN & HILL, LLP

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
TABLE OF CONTENTS**

Table of Contents	i
Board of Trustees and Principal Officers.....	iii
Financial Section	
Independent Auditor's Report.....	1
Basic Financial Statements	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position.....	8
Statement of Cash Flows.....	10
Notes to Financial Statements.....	13
Required Supplementary Information	
Schedule of the College's Proportionate Share of the Net Pension Liability.....	43
Schedule of the College's Contributions – Net Pension.....	44
Schedule of the College's Proportionate Share of the Net OPEB Liability.....	45
Schedule of the College's Contributions – Net OPEB.....	46
Notes to Required Supplementary Information	47
Supplementary Information	
Combined Revenues and Expenditures Budget Comparisons – Unrestricted and Restricted – All Operations	49
Unrestricted Current Funds Summary of Instructional and General Revenues and Expenditures - Budget Comparisons	50
Restricted Current Funds Summary of Instruction and General Revenues and Expenditures -Budget Comparisons.....	51
Schedule of Deposit and Investment Accounts.....	52

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
TABLE OF CONTENTS**

Supplementary Information (Continued)

Schedule of Pledged Collateral.....	53
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Other Reports

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	57
Schedule of Expenditures of Federal Awards.....	61
Notes to the Schedule of Expenditures of Federal Awards	62
Schedule of Findings and Questioned Costs.....	63
Status of Prior Year Findings.....	73
Exit Conference	74

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

BOARD OF TRUSTEES AND PRINCIPAL OFFICERS

Board of Trustees

Appointed Members:

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

Title:

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

Principal Administrative Officials

Edward A. Martinez
Dr. William Taylor

President
Vice President of Finance

FINANCIAL SECTION



Independent Auditor's Report

To Joseph M. Maestas, P.E.
New Mexico State Auditor

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, discretely presented component unit, and the aggregate remaining fund information of Luna Community College (College) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons, presented as supplementary information, as defined by the Governmental Accounting Standards Board, for the year ended June 30, 2022, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit and the aggregate remaining fund information of the College as of June 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion the budgetary comparisons referred to above present fairly, in all material respects, the budgetary comparisons for the year ended June 30, 2022, in conformity with the budgetary basis of accounting prescribed by the New Mexico Administrative Code, and more fully described in the budgetary schedules, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

OFFICE LOCATIONS

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



Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Schedules of the College's Proportionate Share of the Net Pension Liability and Net OPEB Liability*, and *Schedules of College Contributions* on pages 43 - 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

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

The Schedule of Expenditures of Federal Awards and other supplementary schedules required by 2.2.2 NMAC as noted in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary schedules required by 2.2.2 NMAC as noted in the table of contents, 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 August 2, 2024, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
August 2, 2024

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Primary Institution	LCC Foundation
ASSETS		
<i>Current:</i>		
Cash and cash equivalents	\$ 6,814,611	240,689
Student accounts receivable, net	94,449	-
Property tax receivables	647,279	-
Grant receivables	942,049	-
Other receivables	69,234	-
Investments	-	726,605
Inventory	87,737	-
<i>Total current assets</i>	<u>8,655,359</u>	<u>967,294</u>
<i>Noncurrent assets:</i>		
Capital assets, net accumulated depreciation	<u>20,211,023</u>	<u>-</u>
<i>Total noncurrent assets</i>	<u>20,211,023</u>	<u>-</u>
<i>Total assets</i>	<u>28,866,382</u>	<u>967,294</u>
DEFERRED OUTFLOWS		
Pension related	10,312,166	-
OPEB related	<u>1,162,308</u>	<u>-</u>
<i>Total deferred outflows</i>	<u>11,474,474</u>	<u>-</u>
<i>Total assets and deferred outflows</i>	<u>\$ 40,340,856</u>	<u>967,294</u>

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Primary Institution	LCC Foundation
LIABILITIES		
<i>Current liabilities:</i>		
Accounts payable	260,130	-
Accrued liabilities	99,699	-
Cash Held in Custody of others	44,099	-
Unearned revenue	792,622	-
Current portion of compensated absences	44,781	-
<i>Total current liabilities</i>	<u>1,241,331</u>	<u>-</u>
<i>Noncurrent liabilities:</i>		
Long term portion of compensated absences	218,638	-
Net pension liability	12,576,710	-
Net OPEB liability	3,869,780	-
<i>Total noncurrent liabilities</i>	<u>16,665,128</u>	<u>-</u>
<i>Total liabilities</i>	<u>17,906,459</u>	<u>-</u>
DEFERRED INFLOWS		
Pension related	18,977,408	-
OBEP related	2,857,697	-
<i>Total deferred inflows</i>	<u>21,835,105</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	20,211,023	-
Restricted	-	967,294
Unrestricted (deficit)	(19,611,731)	-
<i>Total net position</i>	<u>\$ 599,292</u>	<u>967,294</u>

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022**

	Primary Institution	LCC Foundation
Operating Revenues		
Student tuition and fees	\$ 1,008,730	-
Federal grants and contracts	1,656,692	-
State grants and contracts	479,915	-
Private grants and contracts	170,306	-
Sales and services	137,470	-
Other operating revenues	740,722	52,166
Total operating revenues	4,193,835	52,166
Operating Expenses		
Instruction and general		
Instruction	3,770,232	-
Academic support	519,147	-
Student services	1,088,089	-
Institutional support	1,966,876	-
Operation and maintenance of plant	1,623,471	-
Public service	471,003	-
Student aid grants and stipends	1,679,386	27,641
Tuition discounts and allowances	195,990	-
Auxiliary enterprises	801,045	-
Agency funds	14,450	-
Athletics	465,656	-
Student activities	25,332	-
Renewals and replacement	141,562	-
Depreciation and amortization	1,207,818	-
Total operating expenses	13,970,057	27,641
Operating loss	(9,776,222)	24,525

See Notes to Financial Statements

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	Primary Institution	LCC Foundation
Non-operating revenues (expenses)		
State appropriations	8,173,800	-
Local tax levy	2,836,636	-
Investment Income, net of expenses	5,767	96
Total non-operating revenues	11,016,203	96
(Decrease) increase in net position	1,239,981	24,621
Net position, beginning of year	(640,689)	942,673
Net positions, end of year	\$ 599,292	967,294

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

	Primary Institution	LCC Foundation
Cash Flows From Operating Activities		
Tuitions and fees	\$ 973,797	-
Grants and contracts	1,540,693	-
Payments to suppliers, employees, and others	(7,926,145)	-
Payments for educational activities	(5,181,984)	-
Other Revenue	939,755	27,939
Net cash provided by (used in) operating activities	(9,653,884)	27,939
Cash Flows From Non-capital Financing Activities		
Local tax levy revenues	2,836,636	-
State appropriations	8,173,800	-
Net cash provided by non-capital financing activities	11,010,436	-
Cash Flows From Capital and Related Financing Activities		
Purchases of capital assets	(238,861)	-
Net cash used in capital and related financing activities	(238,861)	-
Cash Flows From Investing Activities		
Purchase of Investments	-	24,193
Investment income, net of expenses	5,767	96
Net cash provided by investing activities	5,767	24,289
Net increase (decrease) in cash and cash equivalents	1,123,458	52,228
Cash and cash equivalents, beginning of year	5,691,153	188,461
Cash and cash equivalents, end of year	\$ 6,814,611	240,689

See Notes to Financial Statements

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Primary Institution</u>	<u>LLC Foundation</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (9,776,222)	24,525
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	1,207,818	-
Additional pension/OPEB expense/(income)	(590,842)	-
Change in assets and liabilities		
Receivables	(739,590)	3,414
Accounts payable and deferred liabilities	(7,431)	-
Compensated absences	(43,460)	-
Unearned revenue	295,843	-
Net cash used in operating activities	<u>\$ (9,653,884)</u>	<u>27,939</u>

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

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

Reporting Entity

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022, the amount of cash and cash equivalents reported on the financial statements differs from the amount on deposit with the various financial institutions because of transactions in transit and outstanding checks.

Receivables

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 cost or market. This cost method is applied on a basis consistent with the 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:

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

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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.

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022.

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

Budgetary Process

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

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

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

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

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Income Tax Status

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

Property Tax Calendar

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022 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, 2022.

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

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2. CASH DEPOSITS AND INVESTMENTS (CONTINUED)

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, \$3,679,000 of the College's bank balances of \$7,732,145 were exposed to custodial credit risk. \$65,122 of the College's deposits were uninsured and uncollateralized at June 30, 2022.

	Southwest Capital Bank	Community 1st Bank	Total
Total amount of deposit	\$ 1,377,611	6,354,534	7,732,145
FDIC coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	1,127,611	6,104,534	7,232,145
Collateral requirement (50% of uninsured public funds)	563,806	3,052,267	3,616,073
Pledged securities held by the pledging institution or by its trust department or agent other than Luna Community College	566,000	2,987,145	3,553,145
Over collateralized	\$ 2,195	(65,122)	(62,928)
Reconciliation to the Statement of Net Position:			
Deposits		\$	7,732,145
Petty cash			1,670
Reconciling items			(919,204)
Cash and cash equivalents per the statement of net position		\$	6,814,611

The collateral pledged is listed on page 53 of this report.

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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2. CASH DEPOSITS AND INVESTMENTS (CONTINUED)

	Federally Insured	Insured and Collateralized	Uninsured and Uncollateralized	Total Depository Balance
Demand Deposits				
Community First Bank	\$ 162,660	-	-	162,660
Southwest Capital Bank	78,279	-	-	78,279
Total demand deposits	<u>\$ 240,939</u>	<u>-</u>	<u>-</u>	<u>240,939</u>
Certificates of Deposit				
Community First Bank	\$ 250,000	-	10,319	260,319
Southwest Capital Bank	250,000	-	216,286	466,286
Total certificates of deposit	<u>\$ 500,000</u>	<u>-</u>	<u>226,605</u>	<u>726,605</u>

NOTE 3. ACCOUNTS RECEIVABLE

The College's accounts receivable at June 30, 2022 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, 2022:

Student accounts receivable	\$ 1,056,947
Less: allowance for uncollectible accounts	<u>(962,498)</u>
Student accounts receivable, net	<u>\$ 94,449</u>
Property tax receivables	\$ 647,279
Federal and state grant receivable	942,049
Other receivables	<u>69,234</u>
Total accounts receivable, net	<u>\$ 1,658,562</u>

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4. CAPITAL ASSETS

The following table summarizes the changes in the College's capital assets during the fiscal year ended June 30, 2022. Land and construction in progress are not subject to depreciation expense.

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Transfers & Deletions</u>	<u>June 30, 2022</u>
Capital assets not being depreciated:				
Land	\$ 2,322,079	-	-	2,322,079
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>2,322,079</u>	<u>-</u>	<u>-</u>	<u>2,322,079</u>
Capital assets being depreciated:				
Buildings	33,240,831	-	-	33,240,831
Building improvements	12,382,877	-	-	12,382,877
Equipment and furniture	2,429,730	238,861	-	2,668,591
Automobiles	870,379	-	-	870,379
Total capital assets being depreciated	<u>48,923,817</u>	<u>238,861</u>	<u>-</u>	<u>49,162,678</u>
Less accumulated depreciation:				
Buildings	(22,234,737)	(674,851)	-	(22,909,588)
Building improvements	(4,985,986)	(340,469)	-	(5,326,455)
Equipment and furniture	(2,169,060)	(144,079)	-	(2,313,139)
Automobiles	(676,133)	(48,419)	-	(724,552)
Total accumulated depreciation	<u>(30,065,916)</u>	<u>(1,207,818)</u>	<u>-</u>	<u>(31,273,734)</u>
Capital assets, net	\$ <u>21,179,980</u>	<u>(968,957)</u>	<u>-</u>	<u>20,211,023</u>

Depreciation expense for the year totaled \$1,207,818.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022, as follows:

	June 30, 2021	Additions	Deletions	June 30, 2022	Due Within One Year
Compensated absences	\$ <u>306,879</u>	<u>46,842</u>	<u>(90,302)</u>	<u>263,419</u>	<u>44,781</u>

NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD

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

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

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

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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

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

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

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

Summary of Plan Provisions for Retirement Eligibility by Tier –

Tier 1: Membership prior to July 1, 2010

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

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

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

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

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

- 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

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

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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

Benefit Options – The Plan has three benefit options available.

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

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

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

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (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.

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase over Prior Year
2022	7/1/21 to 6/30/22	Over \$24K	10.70%	15.15%	25.85%	1.00%
2022	7/1/21 to 6/30/22	\$24K or less	7.90%	15.15%	23.05%	1.00%
2021	7/1/20 to 6/30/21	Over \$24K	10.70%	14.15%	24.85%	0.25%
2021	7/1/20 to 6/30/21	\$24K or less	7.90%	14.15%	22.05%	0.25%

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, 2022 and 2021, the College paid employee and employer contributions of \$1,311,303 and \$1,390,218, 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, 2022, the College reported a liability of \$12,576,710 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2021 using generally accepted actuarial principles. On April 17, 2020, NMERB's Board of Trustees adopted new assumptions presented in the 2020 Actuarial Experience Study. Those new assumptions have been reflected in the roll-forward and in the projections used to determine the single discount rate.

The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2021, actuarially determined. At June 30, 2021, the College's proportions was .17745%, which was a decrease of .01229% from its proportion measured as of June 30, 2020.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

For the year ended June 30, 2022, the College recognized pension expense of \$24,667. At June 30, 2022, 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
Differences between expected and actual experience	\$ 988,203	30,970
Changes in assumptions	8,371,702	14,322,872
Net difference between projected and actual earnings on pension plan investments	-	3,127,573
Changes in proportion and differences between contributions and proportionate share of contributions	167,671	1,495,993
Employer contributions subsequent to the measurement date	<u>784,590</u>	<u>-</u>
Total	\$ <u>10,312,166</u>	<u>18,977,408</u>

\$784,590 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ (1,052,347)
2023	(4,376,253)
2024	(2,977,676)
2025	(1,043,566)
2026	-
Thereafter	-

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.00% composed of 2.30% inflation, plus a 0.70% productivity increase rate, plus a step-rate promotional increase for members with less than 5 years of service.
Investment rate of return	7.00% compounded annually, net of expenses. This is made up of a 2.30% inflation rate and a 4.70% real rate of return.
Mortality	Healthy males: 2020 GRS Southwest Region Teacher Mortality Table, set back one year and scaled at 95%. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020. Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020.

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.

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

Asset Class	Target Allocation	Long- Term Expected Rate of Return
Equities	31%	
Fixed income	24%	
Alternative	44%	
Cash	1%	
Total	100%	7.00%

Discount rate. A single discount rate of 7.00% was used to measure the total pension liability as of June 30, 2021. This is an increase of 3.11% from June 30, 2020. The 7.00% single discount rate was based on a long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 1.92%. 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 all projected future benefit payments 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.

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
College's proportionate share of the net pension liability	\$ 17,807,222	12,576,710	8,254,214

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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

Payables to the pension plan. The College did not accrue any payables for the pension plan at June 30, 2022.

NOTE 7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

Employees covered by benefit terms – At June 30, 2021, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	53,092
Inactive and eligible for deferred benefit	11,754
Current active members	92,484
	<u>157,330</u>
Active membership	
State general	18,691
State police and corrections	1,919
Municipal general	20,357
Municipal police	1,573
Municipal fire	756
Educational Retirement Board	49,188
	<u>92,484</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 \$164,114 for the year ended June 30, 2022.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2022, the College reported a liability of \$3,869,780 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The College's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2021. At June 30, 2021, the College's proportion was 0.11761 percent.

For the year ended June 30, 2022, the College recognized OPEB income of \$615,509. At June 30, 2022 the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,581	617,149
Changes in assumptions	774,766	1,399,063
Changes in proportion	221,552	730,561
Net difference between projected and actual earnings on OPEB plan investments	-	110,924
Contributions subsequent to the measurement date	<u>109,409</u>	<u>-</u>
Total	\$ <u>1,162,308</u>	<u>2,857,697</u>

Deferred outflows of resources totaling \$109,409 represent College contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:		
2023	\$	(640,681)
2024		(433,507)
2025		(306,694)
2026		(200,478)
2027		<u>(223,438)</u>
Total	\$	<u><u>(1,804,798)</u></u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions:

Valuation date	June 30, 2021
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

Inflation	2.30% for ERB members; 2.50% for PERA members
Projected payroll increases	3.25% to 13.50%, based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and margin for adverse deviation including inflation.
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	ERB member: 2020 GRS Southwest Region Teacher Mortality Table, set back one year (and scaled at 95% for males). Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020. PERA members: Headcount-Weighted RP-2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.

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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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

Asset Class	Long-Term Rate of Return
U.S. core fixed income	0.4%
U.S. equity – large cap	6.6%
Non U.S. – emerging markets	9.2%
Non U.S. – developed equities	7.3%
Private equity	10.6%
Credit and structured finance	3.1%
Real estate	3.7%
Absolute return	2.5%
U.S. equity – small/mid cap	6.6%

Discount Rate – The discount rate used to measure the Fund's total OPEB liability is 3.62% as of June 30, 2021. 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, 2052. Thus, the 7.00% discount rate was used to calculate the net OPEB liability through 2052. The index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used beyond 2052, resulting in a blended discount rate of 3.62 %.

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 (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
\$ 4,862,289	3,869,780	3,097,718

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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

<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
\$ <u>3,112,550</u>	<u>3,869,780</u>	<u>4,479,578</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2021.

Payables changes in the net OPEB liability. The College remits the legally required employer and employee contributions on a monthly basis to NMRHCA. At June 30, 2022, the College has remitted all contributions withheld in the month of June 2022.

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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10. COMMITMENTS AND CONTINGENCIES

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

There were no commitments or obligations outstanding as of June 30, 2022.

NOTE 11. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

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

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

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

NOTE 12. CONCENTRATIONS

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

NOTE 13. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2022, have been evaluated for possible adjustment to the financial statements or disclosures is August 2, 2024, the date the financial statements were available to be issued.

As a result of the Calf Canyon/Hermit Peak Fires in 2022 and period of non-operability, the College has experienced significant delays and turnover. The College continues to maintain operations and employ qualified individuals. The College continues its efforts to maintain in financial records to operate on a day-to-day basis and fulfill its obligations in a timely manner.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 14. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2017, GASB issued Statement No. 87, Leases, to be implemented for fiscal years beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires recognitions of certain lease assets and liabilities for leases that previously were classified as operating leases. The implementation of this Statement had no material effect on the College's financial statements.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the end of a Construction Period. The new effective date is for reporting periods beginning after December 15, 2020. Statement 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The implementation of this Statement had no effect on the College's financial statements.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The new effective date is for reporting periods beginning after June 15, 2021. Statement No. 92. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues. Topics include: 1) effective date of Statement No 87, Leases, and implementation guide No 2019-3, Leases, for interim financial reports; 2) Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan; 3) The applicability of Statements No 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No 74, Financial Reporting for OPEB Plans other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits; 4) The applicability of certain requirements of Statement No 84, Fiduciary Activities, to postemployment benefit arrangements; 5) Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; 6) Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. The implementation of this Statement had no material effect on the College's financial statements.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The new effective date is for reporting periods beginning after June 15, 2021. Statement No. 93 addresses accounting and financial reporting implications that result from the replacement of an IBOR (interbank offered rate) such as the LIBOR (London Interbank Offered Rate). The implementation of this Statement had no effect on the College's financial statements.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 14. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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 – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022. The College has adopted this Statement and determined that there was no impact on the current financial statements.

In October 2021, the GASB issued Statement No. 98, The Annual Comprehensive Financial Report. The new effective date is for reporting periods beginning after June 15, 2021. Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of this Statement had no effect on the College's financial statements.

NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2022.

GASB Statement No. 91, Conduit Debt Obligations. Effective for reporting periods beginning after December 15, 2020. (December 15, 2021 by Statement No. 95).

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

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

GASB Statement No. 99, Omnibus 2022

GASB Statement No. 100, Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62

GASB Statement No. 101, Compensated Absences

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

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2022**

		Pension Liability For Last 10 Fiscal Years*								
	Fiscal Year Measurement Date	2022 2021	2021 2020	2020 2019	2019 2018	30-Jun 2018 2017	2017 2016	2016 2015	2015 2014	2014 2013
College's Proportion of the Net Pension Liability (Asset)		0.17745%	0.18974%	0.20750%	0.19626%	0.19483%	0.21608%	0.21326%	0.21465%	0.21465%
College's Proportionate Share of Net Pension Liability (Asset)	\$	12,576,710	38,452,499	15,722,903	23,337,926	21,652,370	15,550,054	13,813,418	12,247,344	13,448,784
College's Covered-Employee Payroll	\$	5,186,881	5,687,451	6,022,101	5,483,835	5,550,668	5,882,681	5,916,574	5,916,574	5,823,000
College's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll		242.47%	676.09%	261.09%	425.58%	390.09%	264.34%	233.47%	207.00%	230.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		69.77%	39.11%	64.13%	52.17%	52.95%	61.58%	63.97%	66.54%	61.89%

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS-NET PENSION
JUNE 30, 2022**

	Last Ten Fiscal Years*								
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 784,590	804,682	857,960	837,072	762,253	771,543	842,639	778,030	641,917
Contributions in Relation to the Contractually Required Contribution	<u>(784,590)</u>	<u>(804,682)</u>	<u>(857,960)</u>	<u>(837,072)</u>	<u>(762,253)</u>	<u>(771,543)</u>	<u>(842,639)</u>	<u>(778,030)</u>	<u>(641,917)</u>
Contribution Deficiency (Excess)*	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2022**

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

	Fiscal Year Measurement Date	2022 2021	2021 2020	2020 2019	30-Jun 2019 2018	2018 2017
College's Proportion of the Net OPEB liability (Asset)		0.117610%	0.125450%	0.137000%	0.128420%	0.129450%
College's Proportionate Share of Net OPEB Liability (Asset)		\$ 3,869,780	5,267,530	4,444,342	5,584,157	5,866,251
College's Covered-Employee Payroll		\$ 5,426,812	5,391,987	6,049,700	5,483,835	5,550,668
College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Its Covered-Employee Payroll		71.31%	97.69%	73.46%	101.83%	105.69%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		25.39%	16.50%	18.92%	13.14%	11.34%

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

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS-NET OPEB
JUNE 30, 2022

New Mexico Retiree Health Care Authority
Last Ten Fiscal Years*

	2022	2021	2020	2019	2018
Contractually Required	\$ 109,409	113,599	121,060	120,994	109,676
Contributions in Relation to the	<u>109,409</u>	<u>113,599</u>	<u>121,060</u>	<u>120,994</u>	<u>109,676</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Employer's covered-employee payroll	\$ 5,470,450	5,679,944	6,053,170	6,049,700	5,483,835
Contributions as a percentage of covered-employee payroll	2.00%	2.00%	2.00%	2.00%	2.00%

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in ERB benefit provisions. Other than the employer contribution increases attributable to Senate Bill 42, there were no modifications to the benefit provisions with an actuarial impact that were reflected in the actuarial valuation as of June 30, 2020.

Changes in ERB assumptions and methods. Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2020, in conjunction with the six-year actuarial experience study period ending June 30, 2019. No changes have been made to the assumptions since the prior valuation. The calculation of the funding policy contributions have been updated to reflect an open group projection, recognizing new hire benefits as well as anticipated cost-of-living adjustments less than the assumed 1.80% while the plan is less than fully funded.

Retiree Health Care Authority (RHCA). In the June 30, 2021, actuarial valuation and the total OPEB liability measured as of June 30, 2021, changes in assumptions include adjustments resulting from an increase in the discount rate from 2.86% to 3.62%.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
COMBINED REVENUES AND EXPENDITURES BUDGET COMPARISONS
UNRESTRICTED AND RESTRICTED - ALL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Beginning net positions	\$ 1,032,139	1,839,144	5,037,405	3,198,261
Revenues				
State government appropriations	7,677,100	8,173,800	8,173,800	-
Federal contracts and grants	2,334,653	5,252,360	1,656,692	(3,595,668)
State contracts and grants	993,687	1,170,488	479,915	(690,573)
Local govt appropriations	2,000,000	2,000,000	2,797,853	797,853
Tuition and fees	737,445	736,945	812,740	75,795
Private gifts, grants and contracts	486,080	570,130	170,306	(399,824)
Capital Outlay	-	1,240,353	238,861	(1,001,492)
Other sources	248,648	254,648	256,653	2,005
Total revenues	14,477,613	19,398,724	14,586,820	(4,811,904)
Expenditures				
Instruction	3,976,313	4,492,495	4,034,450	458,045
Academic support	654,842	656,660	539,535	117,125
Student services	1,791,219	1,886,430	1,197,606	688,824
Institutional support	2,280,998	4,040,692	2,214,408	1,826,284
Operation and maintenance of plant	2,216,279	2,382,613	1,668,957	713,656
Total instruction and general	10,919,651	13,458,890	9,654,956	3,803,934
Student social and cultural activities	23,645	23,645	14,813	8,832
Public service	526,720	755,586	500,848	254,738
Student aid, grants and stipends	2,839,129	3,881,443	1,704,463	2,176,980
Auxiliary services	161,687	173,523	67,750	105,773
Intercollegiate Athletics	513,666	598,933	484,397	114,536
Capital outlay	-	1,240,353	238,861	1,001,492
Renewal and replacement	269,884	337,819	187,490	150,329
Total expenditures	15,254,382	20,470,192	12,853,578	7,616,614
Change in net position - budgetary basis	(776,769)	(1,071,468)	1,733,242	2,804,710
Ending net position	\$ 255,370	767,676	6,770,647	6,002,971
Reconciliation of Change in Fund Balance (Budgetary Basis) to Change in Net Position (GAAP Basis)				
Change in fund balance (budgetary basis)			\$ 1,733,242	
Adjustments:				
Depreciation			(1,207,818)	
Purchase of capital assets			238,861	
Pension activity			(24,667)	
OPEB activity			615,509	
Accrued payroll and compensated absences			50,891	
Increases in Revenues			(41,840)	
Other reconciling items			(124,197)	
Financial statement change in net position reconciled to budgetary basis			\$ 1,239,981	

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
UNRESTRICTED CURRENT FUNDS-
SUMMARY OF INSTRUCTIONAL AND GENERAL
REVENUES AND EXPENDITURES BUDGET COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Beginning net positions	\$ (117,052)	(356,303)	5,037,405	5,393,708
Revenues				
State government appropriations	7,677,100	8,173,800	8,173,800	-
Federal contracts and grants	-	-	(236,202)	(236,202)
State contracts and grants	460,000	479,790	3,290	(476,500)
Local govt appropriations	2,000,000	2,000,000	2,797,853	797,853
Tuition and fees	737,445	736,945	812,740	75,795
Gifts, grants and contracts - private	2,000	2,000	(94,440)	(96,440)
Capital outlay	-	1,240,353	238,861	(1,001,492)
Other sources	248,648	254,648	256,653	2,005
<i>Total revenues</i>	<u>11,125,193</u>	<u>12,887,536</u>	<u>11,952,555</u>	<u>(934,981)</u>
Expenditures				
Instruction	3,839,977	4,062,136	3,799,249	262,887
Academic support	654,842	656,660	539,535	117,125
Student services	1,791,219	1,876,430	1,197,606	678,824
Institutional support	2,280,998	2,457,127	2,095,767	361,360
Operation and maintenance of plant	2,216,279	2,382,613	1,668,957	713,656
Student social and cultural activities	23,645	23,645	14,813	8,832
Public service	106,587	106,587	124,129	(17,542)
Student aid, grants and stipends	43,178	43,178	73,039	(29,861)
Auxiliary services	161,687	173,523	67,750	105,773
Intercollegiate Athletics	513,666	598,933	484,397	114,536
Capital outlay	-	1,240,353	238,861	1,001,492
Renewal and replacement	269,884	337,819	187,490	150,329
<i>Total expenditures</i>	<u>11,901,962</u>	<u>13,959,004</u>	<u>10,491,593</u>	<u>3,467,411</u>
<i>Change in net position - budgetary basis</i>	<u>(776,769)</u>	<u>(1,071,468)</u>	<u>1,460,962</u>	<u>2,532,430</u>
Ending net position	\$ <u>(893,821)</u>	<u>(1,427,771)</u>	<u>6,498,367</u>	<u>7,926,138</u>

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
RESTRICTED CURRENT FUNDS-
SUMMARY OF INSTRUCTIONAL AND GENERAL
REVENUES AND EXPENDITURES BUDGET COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning net positions	\$ -	-	-	-
Revenues				
Tuition and fees	-	-	-	-
Federal contracts and grants	2,334,653	5,252,360	1,892,894	(3,359,466)
State contracts and grants	533,687	690,698	476,625	(214,073)
Gifts, grants and contracts - private	484,080	568,130	264,746	(303,384)
Other sources	-	-	-	-
<i>Total revenues</i>	<u>3,352,420</u>	<u>6,511,188</u>	<u>2,634,265</u>	<u>(3,876,923)</u>
	3,352,420	6,511,188		
Expenditures				
Instruction	136,336	430,359	235,201	195,158
Student services	-	10,000	-	10,000
Institutional support	-	1,583,565	118,641	1,464,924
Public Service	420,133	648,999	376,719	272,280
Student Aid	2,795,951	3,838,265	1,631,424	2,206,841
<i>Total expenditures</i>	<u>3,352,420</u>	<u>6,511,188</u>	<u>2,361,985</u>	<u>4,149,203</u>
	3,352,420	6,511,188	2,361,985	4,149,203
<i>Change in net position - budgetary basis</i>	-	-	272,280	272,280
Ending net position	\$ -	-	272,280	272,280

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2022**

College:		Southwest Capital Bank	Community First Bank	Totals
Account Type	Account Name			
	Cash and Cash Equivalents			
Checking	General account	\$ 1,377,611		1,377,611
Checking	General account	-	5,950,137	5,950,137
Checking	Payroll	-	295,751	295,751
Checking	Student Activity	-	108,646	108,646
	Amount on deposit	1,377,611	6,354,534	7,732,145
	Reconciling items	-	(919,204)	(919,204)
	Total	\$ 1,377,611	5,435,330	6,812,941
			Petty cash	1,670
	Total cash and cash equivalents		\$	<u>6,814,611</u>

Foundation:				
XXX5701	Checking	\$ 78,279	-	78,279
XXXX0455	Investment	81,000	-	81,000
XXX1761	Investment	63,919	-	63,919
XXX2862	Investment	61,865	-	61,865
XXX2859	Investment	182,474	-	182,474
XXX2054	Investment	77,028	-	77,028
CFB Operating	Checking	-	21,629	21,629
CFB Helen O'Brien	Checking	-	141,031	141,031
XX890	Investment	-	260,319	260,319
	Total cash, cash equivalents, and investments	544,565	422,979	967,544
	Reconciling items	(250)	-	(250)
	Total	\$ 544,315	422,979	967,294

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF PLEDGED COLLATERAL
FOR THE YEAR ENDED JUNE 30, 2022**

	Southwest Capital Bank Las Vegas, NM	Community 1st Bank Las Vegas, NM	Total
Amount of deposits	\$ 1,377,611	6,354,534	7,732,145
FDIC insurance coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>1,127,611</u>	<u>6,104,534</u>	<u>7,232,145</u>
Collateral requirement per section 6-10-17 NMSA (50% of uninsured deposits)	<u>563,806</u>	<u>3,052,267</u>	<u>3,616,073</u>
Pledged Collateral			
FHLB fixed rate note (CUSIP 3130A1XJ2)	<u>566,000</u>	<u>2,987,145</u>	<u>3,553,145</u>
Total pledged collateral	<u>566,000</u>	<u>2,987,145</u>	<u>3,553,145</u>
Over collateralized	<u>\$ 2,195</u>	<u>(65,122)</u>	<u>(62,928)</u>

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To Joseph M. Maestas, P.E.
New Mexico State Auditor

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the Luna Community College (College) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and budgetary comparisons of the college, presented as supplementary information and have issued our report thereon dated August 2, 2024.

Report on Internal Control over Financial Reporting

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

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

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statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of finding and questioned costs as item 2022-001 and 2022-004 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2022-006, and 2022-007.

College's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the findings identified in our audit and described in the schedule of findings and questioned costs. The college's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
August 2, 2024



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

To Joseph M. Maestas, P.E.
New Mexico State Auditor

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Luna Community College's (College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2022. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Luna Community College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal

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program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-005. Our opinion on each major federal program is not modified with respect to these matters. Government Auditing Standards requires the auditor to perform limited procedures on College's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Luna Community College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Government Auditing Standards requires the auditor to perform limited procedures on College's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Pattillo, Brown & Hill, LLP

Pattillo, Brown, & Hill, L.L.P.
Albuquerque, New Mexico
August 2, 2024

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor or Pass-Through Grantor/Program Title	Award Sub Award Number	Assistant Listing Number	Federal Expenditures
U.S. Department of Education:			
Student Financial Assistance Cluster*			
Federal Pell Grant Program	20-21	84.063	\$ 8,057
Federal Pell Grant Program	21-22	84.063	1,019,999
Federal Supplemental Educational Opportunity Grants (FSEOG)	21-22	84.007	31,492
Federal Work-Study Program (FWS)	21-22	84.033	13,648
Federal Direct Student Loans (Direct Loan)	21-22	84.268	67,687
Federal Direct Student Loans (Direct Loan)	21-22	84.268	41,080
Federal Direct Student Loans (Direct Loan)	20-21	84.268	<u>4,790</u>
Total Student Financial Assistance Cluster			1,186,753 *
COVID-19 HEERF Institutional Portion	21-22	84.425F	118,640
COVID-19 HEERF Student Aid Portion	21-22	84.425E	193,250
Passed through State of New Mexico Department of Higher Education			
Fulbright-Hays--Doctoral Dissertation Research Abroad	21-22	84.022	57,994
Passed through State of New Mexico Public Education Department			
Career and Technical Education-Basic Grants to States (Perkins V)	20-21/21-22	84.048A	<u>8,416</u>
Total U.S. Department of Education			<u>1,565,053</u>
U.S. Department of Health and Human Services			
Passed through the University of New Mexico			
Area Health Education Centers	3RDA1-F	93.107	45,630
Area Health Education Centers	3RDA1-F	93.107	<u>62,231</u>
Total U.S. Department of Health and Human Services			<u>107,861</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 1,672,914</u>

* Denotes major program

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022**

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 2022 or accrued revenue at June 30, 2022. 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.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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 (ALN 84.268). During the fiscal year ended June 30, 2022, the College processed \$113,557 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.

The College did not pass through federal funds to any subrecipients during the year ended June 30, 2022.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of Auditor’s report issued:	<u>Unmodified</u>
Internal control over financial reporting: Material Weakness reported?	Yes
Significant deficiencies reported not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weaknesses reported?	No
Significant deficiencies reported not considered to be material weaknesses?	None
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	Yes
Identification of major programs: Student Financial Assistance Cluster – 84.063, 84.007, 84.033, 84.268	
Dollar threshold used to distinguish Between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

2022-001 (2016-001) – Internal Controls over Financial Reporting and Closing (Material Weakness) (Repeated and Modified)

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

- There was \$8,900 in Revenue in which adequate records could not be provided to determine the source and which student group the funds belong to.
- There was \$3,080 in Expenses in which adequate records could not be provided to determine the source and which student group the funds belong to.

Management has not made notable progress on clearing this funding.

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

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

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

RECOMMENDATION: The Foundation should continue its efforts to search for a complete Board to meet the statutory requirements. The Board should also establish policies and procedures over their financial reporting and closing process and ensure these policies are followed, even when there is a change in Foundation management.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022**

2022-001 (2016-001) – Internal Controls over Financial Reporting and Closing (Material Weakness) (Repeated and Modified) (Continued)

In addition, we recommend that administrative/accounting staff be hired to mitigate the deficiency noted above.

MANAGEMENT'S RESPONSE: In March 2022, LCC hired an external accountant to research the LCC Foundation financials for the past five years. The external accountant's findings agree with the FY21 and subsequent FY22 audit findings indicated. Since then, the LCC Foundation has created and adopted policies and procedures for all Foundation operations and transactions, created processes to ensure two signatures are needed for all expenditures, and created forms and processes to document all revenue and expenditures.

Additionally, the LCC Foundation Board / Executive Committee reviews and approves all monthly financial activity during its scheduled meetings and have incorporated and communicated any changes to this policy to ensure compliance and adequate documentation for all operational activities

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

2022-002 (2021-005) Lack of Controls over Payroll (Significant Deficiency) (Repeated and Modified)

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

Management has made progress on this findings.

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

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

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

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022**

2022-002 (2021-005) Lack of Controls over Payroll (Significant Deficiency) (Repeated and Modified) (Continued)

MANAGEMENT'S RESPONSE: The College has implemented a revised pay calendar in FY23 that ensures employees are not paid prior to services being rendered. Furthermore, the College is a member of the Collaborative for Higher Education Shared Services (CHESS). CHESS is responsible for centralized payroll processing for member colleges, and the College now benefits from consistent processes in the Workday system and best practices instituted by CHESS and member colleges.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: The Controller and issue has been corrected as of August 2023.

2022-003 Cash Disbursements (Significant Deficiency)

CONDITION: In our cash disbursement test work, we noted the following:

- 3 of 25 instances, totaling \$11,094, in which Purchase Orders was issued after invoice.
- 3 of 25 instances, totaling \$12,265, in which Purchase Orders was not properly approved, or is missing signature or stamp.
- 1 of 25 instances, totaling \$8,576, in which supporting documentation was not provided.

CRITERIA: NMSA 1978 Section 6-6-3 requires that every local public body keep all books, records and accounts in their respective offices in the forms prescribed by the local government division. Proper internal controls are necessary to maintain proper accounting records and financial records.

EFFECT: College approved Purchase Orders after receiving invoice and Purchase Orders may not be properly approved leading to possible expenditure of unapproved expenses.

CAUSE: Oversight by reviewing and approving personnel.

RECOMMENDATION: We recommend that Purchasing practices due diligence when review Purchase Orders and approving these orders to ensure that proper controls are in place.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022**

2022-003 Cash Disbursements (Significant Deficiency) (Continued)

MANAGEMENT'S RESPONSE: Currently, the College Purchasing Office is staffed by a Certified Purchasing Officer (CPO) who has implemented training for department end users on NM State purchasing requirements, with continued training in the future. Additionally, the College has implemented the Workday system in January 2024 which uses automation, defined business process approvals and enhanced controls to ensure the appropriate college staff are reviewing and signing requisitions before purchase orders are issued. Related documents are stored electronically in the system, eliminating the loss of supporting documentation. The college is committed to ensuring procurement processes, procedures and policies align with NM State procurement requirements and that staff are properly trained.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: This issue has been addressed and resolved. On-going training will continue to be provided to college staff by the Purchasing Director and Interim Chief Financial Officer.

2022-004 Financial Close and Reporting (Material Weakness)

CONDITION: Several account balances including cash at June 30, 2022 were not reconciled and required additional adjustments to determine the actual balance. Consistent reconciliations of account detail to the general ledger balances were not performed on a monthly basis.

CRITERIA: Sound internal controls require timely reconciliation and review of all accounts in the general ledger. In addition to providing a more accurate financial picture, timely reconciling and review provides additional controls over cash receipts and disbursements. Correcting adjustments can be identified during the reconciliation process each month. The need for a strong internal control structure extends beyond the correct processing of cash receipts and disbursements to the maintenance of the general ledger and the preparation of year-end financial statements.

EFFECT: Significant adjustments were made to properly record the correct balances for cash and other accounts, which delayed the trial balance being ready for audit. The adjustments not made during the year affect the quality of information reported to the Board.

CAUSE: The books and records of the College and Foundation experience an unexpected delay due to the Calf Canyon/Hermit Peaks Fires in 2022 and due to turnover in the finance department. These fires lead the College to be evacuated and nonoperational for a period of time.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022**

2022-004 Financial Close and Reporting (Material Weakness) (Continued)

RECOMMENDATION: We recommend that the College implement policies and procedures to ensure that the bank accounts along with the balance sheet accounts be reconciled in a timely manner each month.

MANAGEMENT'S RESPONSE: The College is committed to improving the timing and accuracy of the cash reconciliation and related general ledger entries. Staffing capacity in the Business Office also contributed to the delays. College staff understand the significance and implications of delayed reconciliations. The College will implement policies and procedures to ensure bank accounts and balance sheet accounts are reconciled in a timely manner.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: The Interim Chief Financial Officer and the Comptroller will document and implement new procedures by September 30, 2024.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022**

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

2022-005 – Return of Title IV Funds (Other Non-Compliance)

FEDERAL PROGRAM INFORMATION:

Funding Agency:	U.S. Department of Education
Title:	Student Financial Assistance Cluster
Assistance Listing Number:	84.007, 84.033, 84.063, 84.268
Award Year	July 1, 2021 to June 30, 2022
Compliance Requirement:	Special Tests and Provisions

CONDITION: In our test work over the Return of Title IV funds, we noted the following noncompliance:

- In 3 out of 9 students examined totaling \$1,733, the College did not return the funds to the Department of Education in the required 45 days after the withdrawal date of the student.

CRITERIA: According to 34 CFR 668.173(b), return of Title IV funds are required to be deposited or transferred into the Student Financial Assistance account or electronic fund transfers initiated to the Education of Department as soon as possible, but no longer than 45 days after the date the institution determines that the student withdrew.

QUESTIONED COSTS: None

EFFECT: The College returned Title IV funds to the Department of Education later than the timeframe required by the program requirements.

CAUSE: The College was late in sending the returned funds to the Department of Education for a few of our samples examined because the City of Las Vegas was under a fire emergency due to Calf Canyon/Hermit Peak Fire. Upon return to the College offices, it was noted some of the funds to be returned to the Department of Education had not been processed.

RECOMMENDATIONS: We recommend that the College policies and procedures to ensure that it regularly checks any student withdrawals and ensure that they send the Return to Title IV funds within the 45 day requirement.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022**

2022-005 – Return of Title IV Funds (Non-Compliance) (Continued)

MANAGEMENT'S RESPONSE: The College acknowledges the auditors' comments and has taken steps to address the findings. The college's Financial Aid department has experienced key staff turnover. In FY23, the college contracted with Attain Partners, a third-party service provider, to enhance our policies and procedures, ensuring alignment with best practices and compliance requirements. Attain, with college staff, are conducting a thorough review of the processes used by the Registrar, Bursar, and Financial Aid Office to improve coordination and the timely reporting of R2T4s.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: The Return to Title IV (R2T4) policy and procedures will be updated as necessary to remain current, and all staff will be informed of any revisions. The Interim Vice President of Student Services and the Interim Chief Financial Officer, working with Attain contractors, will review and update R2T4 policies by September 30, 2024.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022**

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

2022-006 (2020-003) – Audit Submitted After the Statutory Deadline (Other Non-compliance) (Repeated and Modified)

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

Management has made progress on this finding.

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

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

CAUSE: The books and records of the College and Foundation experience an unexpected delay due to the Calf Canyon/Hermit Peaks Fires in 2022. These fires lead the College to be evacuated and nonoperational for a period of time. Subsequently after the College and Foundation were allowed to resume operations the College experienced a high number of turnover of staff leading to further delay in preparation and submission of accounting records for the 2022 audit.

RECOMMENDATION: The College should develop policies and procedures to ensure that there are timely reconciliations being performed throughout the year to ensure that the trial balance is ready for audit shortly after year end.

MANAGEMENT'S RESPONSE: The College is committed to improving the timelessness of the annual audit process. The Vice President of Finance and Administration is the role who is the audit lead and coordinates the timely submission of the audit report. The College has experienced a high turnover rate in this role over the last four fiscal years. The College is working on hiring existing position vacancies in the Finance Office. Additional staffing will support the implementation of timely monthly reconciliations, which will enable the timeliness of audit preparation. The College will implement policies and procedures to ensure financial transactions and reconciliations are reviewed and processed in a timely manner.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: The Interim Chief Financial Officer and the Comptroller will document and implement new procedures by September 30, 2024.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022**

2022-007 Pledge Collateral (Other Non-compliance)

CONDITION: In our Pledge Collateral test work, we noted the following:

- Community Bank Cash was undercollateralized by \$65,122.

CRITERIA: Section 6-10-17 NMSA 1978. Any bank or savings and loan association designated as a depository of public money shall deliver securities of the kind specified in Section 6-10-16 NMSA 1978 to a custodial bank described in Section 6-10-21 NMSA 1978 and shall then deliver a joint safekeeping receipt issued by the custodial bank to the public official from whom or the public board from which the public money is received for deposit. The securities delivered shall have an aggregate value equal to one-half the amount of public money to be received in accordance with Subsection B of Section 6-10-16 NMSA 1978.

EFFECT: The College was non-compliant with State Statute regarding pledge collateral requirements on the last day of the fiscal year.

CAUSE: Financial institution failed to acquire additional collateral by June 30, 2022, to meet the 50% requirement.

RECOMMENDATION: We recommend that the College monitor cash balances to ensure that pledge collateral requirements are properly maintained.

MANAGEMENT'S RESPONSE: On June 30, 2022, Luna Community College was under pledged by \$65,121.79, as indicated in the letter dated July 1, 2022 from the College's financial institution. The bank staff described the pledge collateral process. The bank does not know if the depositor will be over or short in collateral until the 1st day of the next month at which time they work with a third party provider for market values. The bank has until the 24th of each month to enter any additional pledges to the third party provider. In a report accessed on July 19, 2022 by the bank staff, they noted that the College deposits decreased, thus there was no need for additional pledging. Based on the letter dated August 1, 2022, the College was over pledged by \$49,320.31.

In the future, the College will work with the financial institution to improve the timeliness and monitoring of cash balances and collateralization to insure the 50% requirement is met.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: The Interim Chief Financial Officer and the Comptroller will document and implement new procedures by September 30, 2024.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATUS OF PRIOR YEAR FINDINGS
Year Ended June 30, 2022**

STATUS OF PRIOR YEAR FINDINGS

Description	Status
CU 2021-001 Internal Controls over Financial Reporting and Closing (Material Weakness)	Repeated and modified as 2022-001
2021-002 Audit Submitted After the Statutory Deadline (Other Non-compliance)	Repeated and modified as 2022-006
2021-003 Chief Procurement Officer and Maintenance of Procurement Documentation (Other Noncompliance)	Resolved
2021-004 Travel and Per Diem (Other Non-compliance)	Resolved
2021-005 Lack of Controls over Payroll (Significant Deficiency)	Repeated and modified as 2022-002
2021-006 Invalid contract (Significant Deficiency)	Resolved
2021-007 Board of Directors Reimbursement Request (Other Matters)	Resolved

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
EXIT CONFERENCE
JUNE 30, 2022**

An exit conference was held on August 2, 2024, with the following in attendance:

Luna Community College

Dr. Phyllis Martinez	LCC Board of Trustees, Chairwoman
Mark Dominguez	LCC Board of Trustees
Kenneth Martinez	LCC Board of Trustees
Dr. Carol Linder	Interim President
Dr. Loretta Montoya	Interim Chief Financial Officer
Francina Martinez	Comptroller
Sharrise Arellanes	Budget Administrator
Kristine Jaramillo	LCC Foundation
Seth Schader	Financial Aid (Attain Consultant)
Jessika Smith	Financial Aid (Attain Consultant)

Pattillo, Brown & Hill, LLP

Chris Garner, CPA	Partner
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OTHER INFORMATION



CORRECTIVE ACTION PLAN

September 16, 2024

U.S. Department of Education

Luna Community College respectfully submits the following corrective action plan for the year ended June 30, 2022

Name and address of independent public accounting firm:

Patillo, Brown & Hill, LLP
5310 Homestead Rd NE, Unit 100B
Albuquerque, NM 87110

Audit Period:

June 20, 2022

The finding from the June 30, 2022 Schedule of Findings and Questions Costs is discussed below. The Corrective Action Plan does not include the corrective actions for our discreetly presented component unit, Luna Community College Foundation (LCC Foundation). LCC Foundation does not have federal funds in excess of \$750,000. The finding is numbered consistently with the numbers assigned in the schedule.

FEDERAL PROGRAM INFORMATION:

2022-005 – Return of Title IV Funds (Other Non-Compliance)

Funding Agency: U.S. Department of Education

Title: Student Financial Assistance Cluster

Assistance Listing Number: 84.007, 84.033, 84.063, 84.268

Award Year July 1, 2021 to June 30, 2022

Compliance Requirement: Special Tests and Provisions

CONDITION: In our test work over the Return of Title IV funds, we noted the following noncompliance:

- In 3 out of 9 students examined totaling \$1,733, the College did not return the funds to the Department of Education in the required 45 days after the withdrawal date of the student.

CRITERIA: According to 34 CFR 668.173(b), return of Title IV funds are required to be deposited or transferred into the Student Financial Assistance account or electronic fund transfers initiated to the Education of Department as soon as possible, but no longer than 45 days after the date the institution determines that the student withdrew.



QUESTIONED COSTS: None

EFFECT: The College returned Title IV funds to the Department of Education later than the timeframe required by the program requirements.

CAUSE: The College was late in sending the returned funds to the Department of Education for a few of our samples examined because the City of Las Vegas was under a fire emergency due to Calf Canyon/Hermit Peak Fire. Upon return to the College offices, it was noted some of the funds to be returned to the Department of Education had not been processed.

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Due Date of Completion: September 30, 2024

Responsible Party: Dr. Loretta Montoya

If the U.S. Department of Education has questions regarding this plan, please call me at 505-235-1755.

Respectfully,

Loretta Montoya

Dr. Loretta Montoya
Interim CFO