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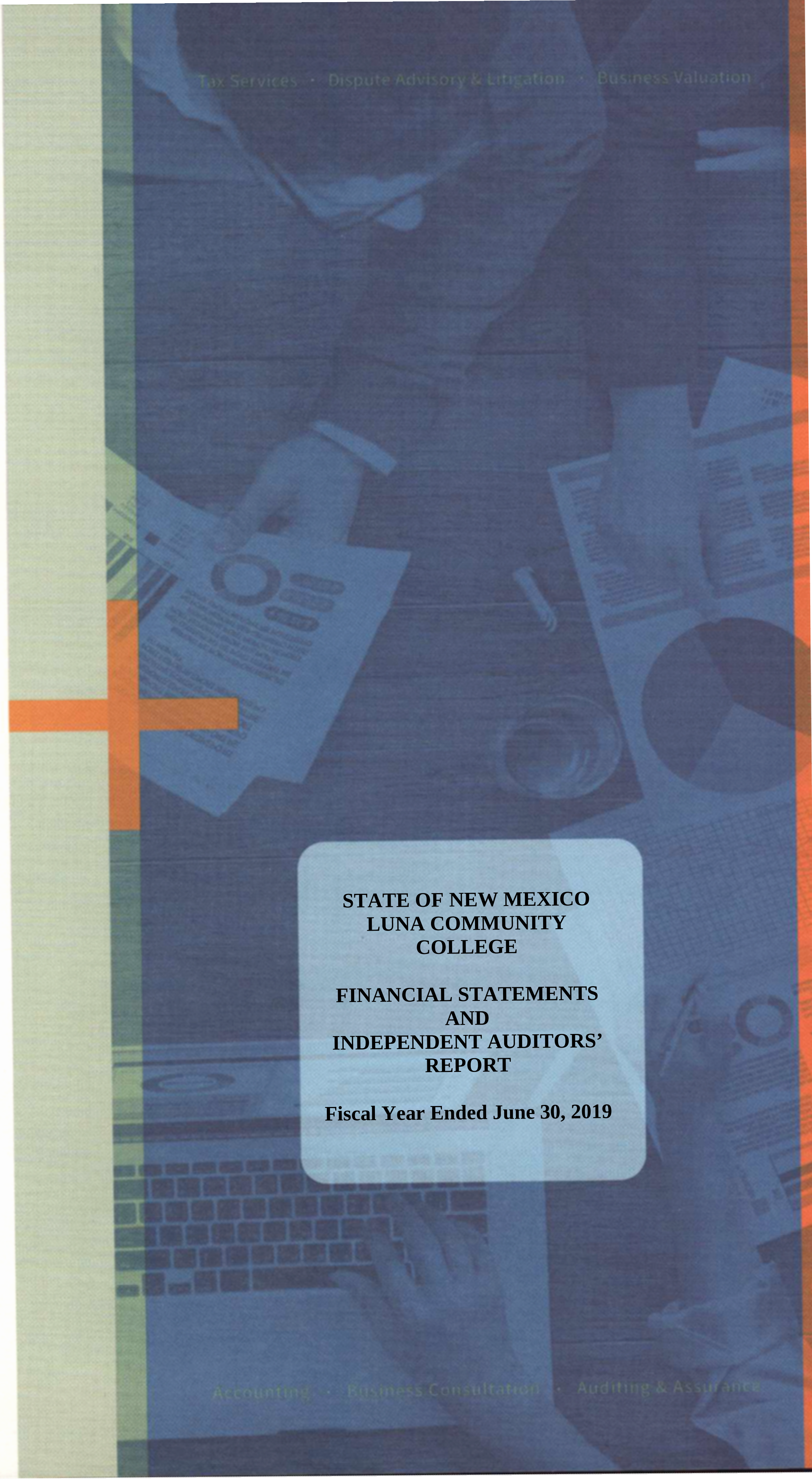

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Fiscal Year Ended June 30, 2019

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LUNA COMMUNITY COLLEGE

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BOARD OF TRUSTEES AND PRINCIPAL OFFICERS

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Principal Administrative Officials

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements and the budgetary comparisons of the business-type activities and discretely presented component unit of Luna Community College (the "College") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit and the budgetary comparisons of the College as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, and the budgetary comparisons as of and for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the College are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of its business-type activities that are attributable to the transactions of Luna Community College. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. The College's financial statements are included in the financial statements of the State of New Mexico.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and on pages 5 to 8 and the pension schedules on pages 50 to 55 for the College's participation in the Educational Retirement Board Pension Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements and the budgetary comparisons also including the basic financial statements of the Luna Community College Foundation as of and for the year ended June 30, 2019. The accompanying Schedule of Individual Deposit Accounts and Schedule of Pledged Collateral by Depository, as required by 2.2.2 NMAC and the Schedule of Expenditures of Federal awards as required by 2 US Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 25, 2019, on our consideration of the College's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Ricci & Company, LLC

Albuquerque, New Mexico
October 25, 2019

INTRODUCTION

The management of Luna Community College (College or LCC) herewith presents its financial statements and required supplementary information for the year ended June 30, 2019. The following discussion and analysis provides an overview of the financial position and activities of the College and is intended to be user-friendly information for all readers.

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

THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

REPORTING ENTITY

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

Luna Community College
Condensed Summary of Net Assets
June 30, 2019

	2019
Assets	
Current assets	$ 5,817,287
Non current assets-Deferred	$ 5,955,603
Capital assets, net of accumulated depreciation	$ 22,495,701
Total Assets	$ 34,268,591
Liabilities	
Current liabilities	$ 639,087
Noncurrent liabilities - Includes NPL, NOPEBL & Deferred	31,729,202
Total Liabilities	$ 32,368,289
Net Assets	
Invested in capital assets, net of accumulated depreciation	$ 22,495,701
Unrestricted	(21,475,286)
Total Net Assets	$ 1,020,415

75% of the College's current assets consist of cash plus other assets deemed to be consumed or convertible to cash within one year which totaling $ 4,352,213.

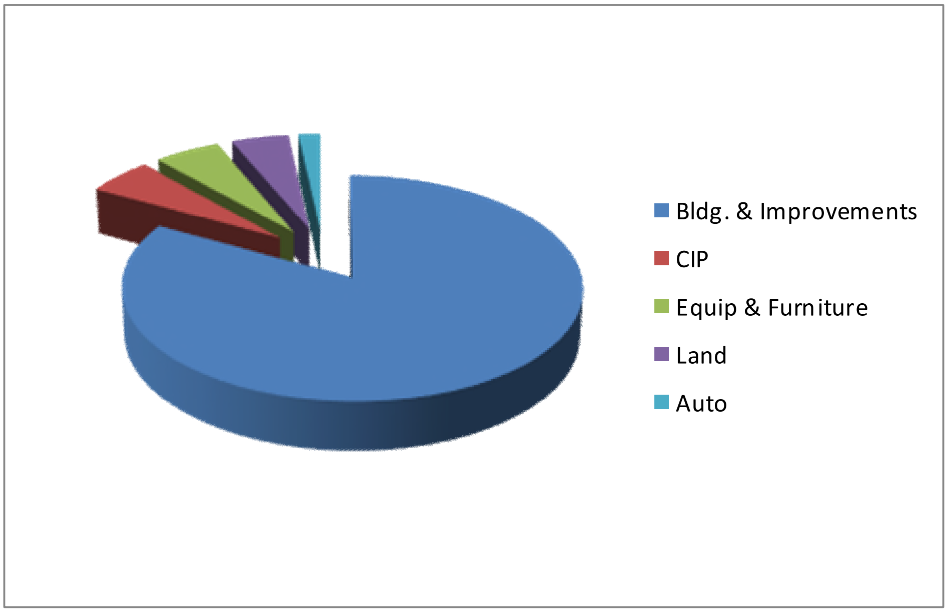
Current liabilities are amounts due within one year totaling $ 639,087 down slightly from last year as a result of a decrease to unearned revenue.

At June 30, 2019, the largest category of non-current assets is capital assets, net of accumulated depreciation $ 22,495,701 with minimal additions.

The 80% decrease in Total Net Assets is attributable to the changes in Pension and OPEB activities as well as the $983,500 decrease is Net Capital Assets.

REPORTING ENTITY (Continued)

Capital Assets at Cost



Luna Community College
Condensed Summary of Revenue, Expenses and Changes in Net Assets
June 30, 2019

	2019
Operating Revenues By Major Source	
Tuition	$ 576,187
Contracts and grants	2,326,663
Sales and services of auxiliary enterprises	427,529
Other	675,627
	4,006,006
Operating Expenses By Major Function	
Instruction	5,321,703
Academic support	687,467
Student services	2,165,731
Institutional support	2,610,852
Operating and maintenance support	2,532,095
Public service	534,821
Student aid	1,521,186
Auxiliaries	382,492
Agency/Athletics/Student Activities/R&R	608,341
Renewals and Replacements	660,108
Depreciation	1,179,083

REPORTING ENTITY (Continued)

Nonoperating Revenue (Expense)	2019
Appropriations	7,905,200
Other	2,152,095
	10,057,295
Income (loss) before other revenues and expenses	(4,140,578)
Capital gains (losses) and gifts, net	-
Total increase (decrease) in net position	(4,140,578)
Net Position, Beginning of Year	6,040,880
Restatement related to GASB 75 Implementation	
Net Position, Beginning of Year as restated	6,040,880
Net Position, End of Year	$ 1,900,302

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

The 63% variance, decrease in Net Position is due to the activity in the Pension and OPEB accounts.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
June 30, 2019

	Primary Institution	LLC Foundation
ASSETS		
Current Assets		
Cash and cash equivalents	$ 4,203,684	$ 148,529
Student accounts receivable (net of an allowance of $923,965)	53,560	-
Property tax receivables	474,120	-
Grant receivables	79,131	-
Other receivables	176	3,414
Investments	-	727,944
Inventory	126,729	-
Total current assets	4,937,400	879,887
Noncurrent Assets		
Capital assets, net of accumulated depreciation	22,495,701	-
Total noncurrent assets	22,495,701	-
Deferred inflows		
Deferred inflows - related to pensions	5,834,609	-
Deferred inflows - related to OPEB	120,994	-
Total deferred Inflows	5,955,603	-
Total assets and deferred outflows of resources	$ 33,388,704	$ 879,887
LIABILITIES		
Current Liabilities		
Accounts payable	$ 117,620	$ -
Accrued liabilities	116,808	-
Unearned revenue	363,496	-
Accrued compensated absences	41,163	-
Total current liabilities	639,087	-
Noncurrent Liabilities		
Accrued compensated absences	233,304	-
Net pension liability	23,337,926	-
Net OPEB liability	5,584,157	-
Total non-current liabilities	29,155,387	-
Deferred outflows		
Deferred outflows - related to pensions	1,083,689	-
Deferred outflows - related to OPEB	1,490,126	-
Total deferred outflows	2,573,815	-
Total liabilities and deferred inflows of resources	32,368,289	-
NET POSITION		
Net investment in capital assets	22,495,701	-
Unrestricted	(21,475,286)	879,887
Total net position	1,020,415	879,887
Total net position, liabilities and deferred inflows of resources	$ 33,388,704	$ 879,887

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

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2019

	Primary Institution	LCC Foundation
OPERATING REVENUES		
Tuition and fees	$ 859,884	$ -
Tuition discounts and allowances	(283,697)	-
	576,187	
Federal grants and contracts	1,660,795	-
State and local grants and contracts	512,915	-
Private grants and contracts	152,230	-
Sales and services of auxiliary enterprises	427,529	-
Other	675,627	723
Total operating revenues	4,005,283	723
EXPENSES		
Instruction and general		
Instruction	5,321,703	-
Academic support	687,467	-
Student services	2,165,731	-
Institutional support	2,600,985	9,867
Operations and maintenance support	2,532,095	-
Total instruction and general	13,307,981	9,867
Public service	534,821	-
Student aid grants and stipends	1,804,883	-
Tuition discounts and allowances	(283,697)	-
Auxiliary enterprises	382,492	-
Agency funds	5,233	-
Athletics	590,618	-
Student activities	12,490	-
Renewals and replacement	660,108	-
Depreciation	1,179,083	-
Total operating expenses	18,194,012	9,867
Operating loss	$ (14,188,729)	$ (9,144)

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

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
Year ended June 30, 2019

	Primary Institution	LCC Foundation
Non operating revenues		
State appropriations	$ 7,905,200	$ -
Local property tax levy	2,128,114	-
Interest and investment income	7,256	16,725
Net non-operating revenues	10,040,570	16,725
Change in net position	(4,148,159)	7,581
Net Position - beginning of year	5,168,574	872,306
Net Position, end of year	$ 1,020,415	$ 879,887

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

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Year ended June 30, 2019

	Primary Institution	LCC Foundation
Cash Flows From Operating Activities		
Tuition and fees	$ 592,921	$ -
Grants and contracts	3,470,425	-
Sales and services	1,103,156	-
Other operating receipts	-	723
Payments to employees for salaries and benefits	(7,351,853)	-
Payments to suppliers	(6,063,213)	-
Payments to others	(989,969)	3,700
Net cash (used in) provided by operating activities	(9,238,533)	4,423
Cash Flows From Noncapital Financing Activities		
State appropriations	7,905,200	-
Local property taxes	1,896,793	-
Net cash provided by noncapital financing activities	9,801,993	-
Cash Flows From Investment Activities		
Investment income	7,256	(4,583)
Net cash provided by (used in) investment activities	7,256	(4,583)
Cash Flows From Capital and Related Financing Activities		
Cash paid for capital assets	(195,583)	-
Net cash used by capital and related financing activities	(195,583)	-
Net (decrease) in cash and cash equivalents	375,133	(160)
Cash and cash equivalents, beginning of year	3,828,551	148,689
Cash and cash equivalents, end of year	$ 4,203,684	$ 148,529

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

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
Year ended June 30, 2019

Operating (loss) income	$	(14,188,729)	$	(9,144)
Adjustments to reconcile operating (loss) income to net cash used by operating activities				
Depreciation expense		1,179,083		-
Changes in assets and liabilities				
Receivables		1,312,641		13,567
Inventory		(21,154)		-
Net pension liability		2,757,042		-
Net OPEB liability		(138,431)		-
Accounts payable and accrued expenses		(33,334)		-
Unearned revenue		(151,422)		-
Compensated absences		45,771		-
Net cash (used in) provided by operating activities	$	(9,238,533)	$	4,423

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

NOTES TO FINANCIAL STATEMENTS

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 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.

During the year ended June 30, 2018, the College adopted GASB 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 (partial), No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, No. 77, Tax Abatement Disclosures, No. 78 Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, and No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14, and No. 82, Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73. These five Statements are required to be implemented as of June 30, 2018, if applicable.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement was effective and was implemented for the June 30, 2017 year end, and a portion is effective for June 30, 2018 year end. Effective for June 30, 2018 are the provisions of the statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. This

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

does not have a material effect on the financial statements of the College, as its pension plan is within the scope of Statement 68.

The objective of GASB Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement does not affect the College's financial statements directly; however, the effects on the College's OPEB plan, administered through the New Mexico Retiree Health Care Authority, will be seen in future periods.

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources came from and how it uses them, and (4) a government's financial position and economic condition and how they have changed after time – by including information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. Statement No.77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

For tax abatement agreements entered into by other governments, the following should be disclosed:

- The names of the governments that entered into the agreements;
- The specific taxes being abated; and
- The gross dollar amount of taxes abated during the period.

As of June 30, 2019 there were no tax abatements that would affect the College.

The objective of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers. The College's pension plan does not meet the criteria for exclusion.

The objective of GASB Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

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

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

Basis of Accounting

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

Management's Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates. The more significant estimates included in the financial statements include allowances for uncollectible student accounts receivable, net pension liability and related deferred inflows and outflows, and the estimated useful lives and depreciation of capital assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Statement of Cash Flows

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

At June 30, 2019, the amount of cash and cash equivalents reported on the financial statements differs from the amount on deposit with the various financial institutions because of transactions in transit and outstanding checks.

Receivables

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

Unearned Revenues

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

Inventory

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of $5,000 or more per 12-6-10 NMSA 1978, and an estimated useful life of greater than one year. 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, generally 30 years for buildings and improvements, and 5 to 12 years for vehicles and equipment (including software).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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.

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

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

<u>Restricted</u>

Nonexpendable: Net position subject to externally imposed conditions that the College retain them in perpetuity. 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, 2019.

Expendable: Net position subject to externally imposed conditions that can be fulfilled by the actions of the College or the passage of time.

Unrestricted: 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process (Continued)

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions (Continued)

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

Deferred 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. The College has two types of items that fall into this category, which arises due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, differences between expected and actual experience of $444,158 and the net difference between projected and actual investment earnings on pension plan investments of $639,531, is reported on the Statement of Net Position. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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. The College has five types of items that qualify for reporting in this category. Accordingly, the items, changes in proportion of $119,004, changes of assumptions of $4,809,836, the net difference between projected and actual investment earnings on pension plan investments of $51,664, employer contributions subsequent to measurement date of $837,072, and the differences between expected and actual experience of $17,033 are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources in future periods.

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,

NOTE 2. CASH DEPOSITS AND INVESTMENTS (CONTINUED)

and United States Government obligations. All invested funds of the College properly followed State investment requirements as of June 30, 2019.

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.

All of the College’s accounts at an insured depository institution, including non-interest-bearing accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of $250,000 for all deposit accounts up to $250,000 for all time and savings accounts, plus up to $250,000 for all demand deposit accounts held at a single institution in state.

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, 2019, none of the College's bank balances of $4,470,639 was exposed to custodial credit risk. None of the College's deposits were uninsured and uncollateralized at June 30, 2019.

	Southwest Capital Bank	Community 1st Bank	Total
Total amount of deposit	$ 833,654	3,636,985	$ 4,470,639
Deposit account covered by the FDIC coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	583,654	3,386,985	3,970,639
Capitalized by securities held by the pledging institution or by its trust department of agent other than the Luna Community College	500,000	3,147,381	3,647,381
Uninsured and uncollateralized	$ 583,654	3,386,985	$ 3,970,639
Collateral requirement (50% of uninsured public funds)	$ 291,827	1,693,493	$ 1,985,320
Pledged security	500,000	3,147,381	3,647,381
Over/(Under) collateralization	$ 208,173	1,453,889	$ 1,662,061

The collateral pledged is listed on Schedule IV of this report.

Reconciliation of Deposits to the Statement of New Position:

Deposits	$ 4,470,639
Add reconciling items	(266,955)
Total cash and cash equivalents and investments	$ 4,203,684
State of Net Position: Cash and cash equivalents	$ 4,203,684

NOTE 2. CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

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

	Federally Insured	Insured and Collateralized	Uninsured and Uncollateralized	Total Depository Balance
Demand Deposits				
Community First Bank	$ 250,000	-	140,124	$ 390,124
Certificate of Deposit				
Southwest Capital Bank	250,000	-	236,349	486,349
Total	$ 500,000	-	376,473	$ 876,473

NOTE 3. ACCOUNTS RECEIVABLE

The College's accounts receivable at June 30, 2019 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, 2019:

Student receivables	$ 977,525
Less allowance for uncollectible accounts	(923,965)
Student receivables, net	53,560
Property tax receivables	474,120
Federal and state grants receivable	79,131
Net total accounts receivable	$ 606,811

NOTE 4. CAPITAL ASSETS

The following table summarizes the changes in the College's capital assets during the fiscal year ended June 30, 2019. Land and construction in progress are not subject to depreciation expense.

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated				
Land	$ 2,322,079	-	-	$ 2,322,079
Construction in progress	2,711,839	-	-	2,711,839
Total capital assets not being depreciated	$ 5,033,918	-	-	$ 5,033,918
Capital assets being depreciated				
Buildings	$ 30,528,998	-	-	$ 30,528,998
Building improvements	11,750,156	-	-	11,750,156
Equipment and furniture	2,556,370	121,452	-	2,677,822
Automobiles	887,047	-	-	887,047
Total other capital assets	$ 45,722,571	121,452	-	$ 45,844,023
Less accumulated depreciation:				
Buildings	$ 20,362,857	648,785	(36,213)	$ 20,975,429
Building improvements	4,016,774	319,378	(10,794)	4,325,358
Equipment and furniture	2,062,189	175,140	-	2,237,329
Automobiles	836,248.00	35,779	(27,904)	844,122
Total accumulated depreciation	27,278,068	1,179,082	(74,911)	28,382,238
Other capital assets, net	$ 18,444,503	(1,057,630)	(74,911)	$ 17,461,785
Capital assets summary				
Capital assets not being depreciated	$ 5,033,917	-	-	$ - -
Other capital assets	45,722,571	121,452	-	-
Total cost of capital assets	50,756,488	121,452	-	-
Less accumulated depreciation	27,278,068	1,179,082	(74,911)	28,382,238
Capital assets, net	$ 23,478,420	(1,057,630)	74,911	$ 22,495,701

Depreciation expense for the year totaled $1,179,082.

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, 2019 as follows:

Accrued vacation - beginning of the year	$	228,696
Additions		212,725
Deletions		(166,954)
Accrued vacation - end of year	$	274,467

The College estimates that $41,163 will be due within one year.

NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD

General Information about the Pension Plan

Plan Description

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

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

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

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, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed

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

General Information about the Pension Plan (Continued)

Plan Description

more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

Pension Benefit

A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

Summary of Plan Provisions for Retirement Eligibility

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.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013.

The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

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

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.

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

General Information about the Pension Plan (Continued)

Summary of Plan Provisions for Retirement Eligibility (Continued)

- 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 will receive reduced retirement benefits.
- The member's age is 67, and has earned 5 or more years of service credit.

Forms of Payment

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

Benefit Options

The Plan has three benefit options available.

- *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.

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

General Information about the Pension Plan (Continued)

Cost of Living Adjustment (COLA)

All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease.

The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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.

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

General Information about the Pension Plan (Continued)

Contributions

For the fiscal years ended June 30, 2019 and 2018 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2019	7-1-18 to 6-30-19	Over $20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 6-30-19	$20K or less	7.90%	13.90%	21.80%	0.00%
2018	7-1-18 to 6-30-19	Over $20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-18 to 6-30-20	$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2019 and 2018, the College paid employee and employer contributions of $1,474,799 and $762,396, 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, 2019, the College reported a liability of $23,337,926 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 24, 2019. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2019. Therefore, the employer's portion was established as of the measurement date of June 30, 2019. 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, actuarially determined.

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

General Information about the Pension Plan (Continued)

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

At June 30, 2019, the College's proportion was 0.19626%, which was an increase of 0.00143% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the College recognized pension expense of $3,073,296. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 17,033	$ 444,158
Changes of assumptions	4,809,836	-
Net differences between projected and actual earnings on pension plan investments	51,664	639,531
Changes in proportion and differences between contributions and proportionate share of contributions	119,004	-
Employer's contributions subsequent to the measurement date	837,072	-
Total	$ 5,834,609	$ 1,083,689

$837,072 reported as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	2,402,862
2021	1,524,402
2022	(14,096)
2023	680
	$ 3,913,848

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

General Information about the Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.
Average of Expected Remaining Service Lives	Fiscal year: 2018, 2017, 2016, 2015 Service life in years: 3.56, 3.65, 3.77, 3.92
Mortality	***Healthy males:*** Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table's base year of 2000. ***Healthy females:*** Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
Retirement Age	Experience based table of rates based on age and service. Adopted by NMERB on April 21, 2017 in conjunction with the six-year experience study for the period ended June 30, 2016.
Cost-of-living increases	1.90% per year, compounded annually.
Payroll growth	3.00% per year (with no allowance for membership growth).
Disability incidence	Approved rates are applied to eligible members with at least 10 years of service.

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

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

General Information about the Pension Plan (Continued)

Actuarial Assumptions (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	33%	
Fixed income	26%	
Alternatives	40%	
Cash	1%	
Total	**100%**	**7.25%**

Discount rate

A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.62%, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

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

Additionally, contributions received through Alternative Retirement Plan (ARP) are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five-year contribution history.

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

General Information about the Pension Plan (Continued)

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 5.69 percent, 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 (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
Luna Community College's proportionate share of the net pension liability	$ 30,330,366	$ 23,337,926	$ 17,632,532

Pension plan fiduciary net position

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

Payables to the pension plan

At June 30, 2019, the College reported a payable of $5,410 for outstanding contributions due to ERB.

NOTE 7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB

Plan description

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

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

General Information about the OPEB (Continued)

Plan description (Continued)

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

Benefits provided

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

Employees covered by benefit terms

At June 30, 2018, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership		
Current retirees and surviving spouses	$	51,205
Inactive and eligible for deferred benefit		11,471
Current active members		93,349
	$	156,025
Active membership		
State general	$	19,593
State police and corrections		1,886
Municipal general		17,004
Municipal police		3,820
Municipal FIRE		2,290
Educational Retirement Board		48,756
	$	93,349

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

General Information about the OPEB (Continued)

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 $109,676 for the year ended June 30, 2019.

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

At June 30, 2019, the College reported a liability of $5,584,157 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the College's proportion was 0.12842 percent.

For the year ended June 30, 2019, the College recognized OPEB expense of $120,994. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 330,618
Changes of assumptions	-	1,042,537
Differences between actual and projected earnings on OPEB plan investments	-	69,688
Employer's contributions made subsequent to the measurement date	120,994	47,283
Total	$ 120,994	$ 1,490,126

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

General Information about the OPEB (Continued)

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

Deferred outflows of resources totaling $120,994 represent College contributions made subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	(376,613)
2021	(376,613)
2022	(376,613)
2023	(293,122)
2024	(67,165)
	$ (1,490,126)

Actuarial Assumption

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.5% 3.50% to 12.50%, based on years of service,including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

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

General Information about the OPEB (Continued)

Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total OPEB liability is 4.08% as of June 30, 2018. 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, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.87%) was applied. Thus 4.08% is the blended discount rate.

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

General Information about the OPEB (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates

The following presents the net OPEB liability of the College, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Luna Community College's proportionate share of the net OPEB liability	$ 6,758,145	$ 5,584,157	$ 4,658,793

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

	1% Decrease	Current Discount Rate	1% Increase
Luna Community College's proportionate share of the net OPEB liability	$ 4,720,571	$ 5,584,157	$ 6,261,229

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, 2018.

Payable Changes in the Net OPEB Liability

At June 30, 2019, the College report $1,005 outstanding contributions due to NMRHCA.

NOTE 8. GROUP INSURANCE

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

NOTE 9. RISK MANAGEMENT

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

NOTE 10. COMMITMENTS AND CONTINGENCIES

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

There were no commitments or obligations outstanding as of June 30, 2019.

NOTE 11. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure of certain information concerning individual funds including:
A. Deficit equity
The College does not maintain a deficit equity position.

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

C. 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. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2019, have been evaluated for possible adjustment to the financial statements or disclosures is October 25, 2019. No other events occurring after June 30, 2019 necessitate adjustment to the financial statements or disclosure in the notes.

NOTE 13. SUBSEQUENT PRONOUNCEMENTS

In August 2018, the GASB issued Statement No. 90, Majority Interests in an amendment of GASB Statements No. 14 and No. 6. The requirements of this statement are effective for periods beginning after December 15, 2018. Earlier application is encouraged. This statement is not applicable to the College.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This statement is not applicable to the College.

In June 2018, GASB Statement No. 87, Leases, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

In May 2018, GASB Statement No. 86, Certain Debt Extinguishment Issues, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to in-substance defeasance of debt using only existing resources. The College has no debt but if they take debt out in the future this could apply.

In March 2018, GASB Statement No. 85, Omnibus 2018, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The standard has been implemented by the College.

In March 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. This standard is not applicable for the College.

In January 2018, GASB Statement No. 84, Fiduciary Activities, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. This standard is not applicable for the College.

NOTE 14. 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.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2019

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

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

* *Governmental Accounting Standards Board Statement No.* 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the University 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 CONTRIBUTIONS – NET PENSION
June 30, 2019

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

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

* *Governmental Accounting Standards Board Statement No.* 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the University is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

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

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE
SHARE OF THE OPEB LIABILITY
June 30, 2019

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

Fiscal year	2019
Measurement date	2018
College's proportion of the net OPEB liability (assets)	0.12842 %
College's proportionate share of net OPEB liability (assets)	$ 5,584,157
College's covered employee payroll	$ 5,483,835
College's proportionate share of net OPEB liability (assets) as a percentage of its covered employee payroll	101.83 %
Plan fiduciary net position as a percentage of the total OPEB liability	13.14 %

* Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the College is not available prior to fiscal year 2018, the year the statement's requirements became effective.

See Notes to Required Supplementary Information

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE CONTRIBUTIONS - OPEB
June 30, 2019

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

	2019
Statutory Required Contribution	$ 120,994
Contributions in Relation to the Statutorily Required Contribution	120,994
Contribution Deficiency (Excess)	-
College's Covered Payroll	$ 6,049,700
Contributions as a percentage of Covered Payroll	2.00 %

* Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the College is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See Notes to Required Supplementary Information

Changes in plan membership. As part of the June 30, 2017 NMRHCA GASB 74/75 audit, it was discovered that 4,010 members were deemed participants of non-participating employers. As a result, those members were removed and thus excluded from the valuation in the year ended June 30, 2018*.*

Changes in OPEB assumptions and methods. The mortality, retirement, disability, turnover, and salary increase assumptions are based on the Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 and the New Mexico Educational Retirement Board (ERB) Actuarial Experience Study as of June 30, 2016.

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

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
COMBINED REVENUES AND EXPENDITURES BUDGET COMPARISONS – ‘
UNRESTRICTED AND RESTRICTED – ALL OPERATIONS
Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	$ 2,968,950	4,587,143	4,587,143	$ -
Revenues:				
State general fund appropriations	7,905,200	7,905,200	7,905,200	-
Federal revenue sources	2,292,734	2,188,962	1,531,427	(657,535)
Tuition and fees	800,145	688,145	849,366	161,221
Endowment, land and permanent fund				-
Private gifts, grants and contracts	3,438,822	4,093,938	3,986,880	(107,058)
Other	24,000	75,955	39,556	(36,399)
Total revenues	14,460,901	14,952,200	14,312,429	(639,771)
Expenditures:				
Instruction	4,155,010	4,437,635	4,048,876	(388,759)
Academic support	587,397	607,774	582,984	(24,790)
Student services	1,879,540	2,062,993	1,979,312	(83,681)
Institutional support	2,238,612	2,304,287	2,088,900	(215,387)
Operation and maintenance of plant	2,079,389	2,244,389	2,195,115	(49,274)
Subtotal Instruction and general	10,939,948	11,657,078	10,895,187	(761,891)
Student social and cultural	23,645	23,645	19,393	(4,252)
Research				-
Public service	466,004	532,050	424,255	(107,795)
Student aid	2,829,129	2,177,729	1,804,883	(372,846)
Auxiliary enterprises	479,320	483,975	344,179	(139,796)
Intercollegiate athletics	528,241	546,590	519,238	(27,352)
Capital outlay	-	1,203,719	633,346	(570,373)
Renewal and replacements	365,073	437,828	222,345	(215,483)
Retirement of indebtedness	-	-		-
Total expenditures	15,631,360	17,062,614	14,862,826	(1,437,897)
Net Transfers to (from)	-	-	-	-
Change in net assets (budgetary basis)	(1,170,459)	(2,110,414)	(550,397)	798,126
Ending fund balance	$ 1,798,491	2,476,729	4,036,746	$ 798,126

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

Change in fund balance (budgetary basis)	$ (550,397)
Adjustments:	
Depreciation expense	(1,179,083)
Increase in capital assets	(983,500)
Increase in deferred outflows	(145,580)
Increase in compensated absences	6,114
Decrease in deferred inflows	(1,360,729)
Increase in net pension liability	1,685,556
Net in other accounts	(1,695,451)
Financial statements change in net position reconciled to budgetary basis	$ (4,223,070)

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
UNRESTRICTED CURRENT FUNDS
SUMMARY OF INSTRUCTION AND GENERAL REVENUES AND EXPENDITURES - BUDGET COMPARISONS
Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	$ 2,711,311	4,258,478	4,258,478	$ -
Revenues:				
Tuition and fees	776,500	664,500	829,973	165,473
Government appropriations - state	7,514,900	7,514,900	7,514,900	-
Government appropriations - local	1,900,000	1,900,000	2,128,114	228,114
Grants and contracts - federal	-	-	6,055	6,055
Gifts, grants and contracts - private	12,000	34,000	46,144	12,144
Other sources	24,000	24,000	39,550	15,550
Total revenues	10,227,400	10,137,400	10,564,736	427,336
Expenditures:				
Instruction	4,021,729	4,248,024	3,866,119	(381,905)
Academic support	587,397	596,206	571,416	(24,790)
Student services	1,879,540	2,062,993	1,979,312	(83,681)
Institutional support	2,238,612	2,304,287	2,088,900	(215,387)
Operation and maintenance of plant	2,079,389	2,244,389	2,195,116	(49,273)
Total expenditures	10,806,667	11,455,899	10,700,863	(755,036)
Net Transfers to (from)	478,577	550,578	468,629	(81,949)
Change in net assets - budgetary basis	(1,057,844)	(1,869,077)	(604,756)	1,264,321
Ending fund balance	$ 1,653,467	2,389,401	3,653,722	$ 1,264,321

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
RESTRICTED CURRENT FUNDS
SUMMARY OF INSTRUCTION AND GENERAL
REVENUES AND EXPENDITURES – BUDGET COMPARISONS
Year ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Grants and contracts - federal	$ 52,106	52,106	83,843	31,737
Grants and contracts - state	81,175	97,118	99,970	2,852
Gifts, grants and contracts - private	-	35,229	10,518	(24,711)
Other sources	-	16,726	-	(16,726)
	133,281	201,179	194,331	(6,848)
Total revenues and cash balance budgeted	133,281	201,179	194,331	(6,848)
Expenditures:				
Instruction	244,840	244,114	189,735	(54,379)
Academic support	553,084	316,256	304,691	(11,565)
Total expenditures	797,924	560,370	494,426	(65,944)
Change in net assets - budgetary basis	$ (664,643)	(359,191)	(300,095)	$ 59,096

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS
June 30, 2019

College:

Account	Type	Southwest Capital Bank	First Community Bank	Total
General disbursement	Checking	833,654	-	833,654
General disbursement	Checking	-	2,926,079	2,926,079
Payroll account	Checking	-	365,356	365,356
Student Activity	Checking	-	78,396	78,396
Amount on deposit		833,654	3,369,831	4,203,486
		$ 833,654	3,369,831	$ 4,203,486
			Petty Cash	198
				4,203,684
Reconciliation to the Financial Statements:				
			Cash and cash equivalents	4,203,684
			Total deposits and investments	$ 4,203,684

Foundation:

Account	Type	Southwest Capital Bank	First Community Bank	Total
7505701	Checking	$ 4,465	-	$ 4,465
7505728	Checking	5,026	-	5,026
16711	Investment	108,489	-	108,489
1621761	Investment	63,919	-	63,919
1622343/1622862	Investment	58,122	-	58,122
1622859	Investment	170,932	-	170,932
1622054	Investment	75,396	-	75,396
CFB Operating	Checking	-	671	671
CFB Golf	Checking	-	43	43
CFB Sam Pat Chavez	Checking	-	544	544
CFB Helen O'Brien	Checking	-	137,780	137,780
15890	Investment	-	129,261	129,261
15804	Investment	-	121,825	121,825
Total deposits and investments		$ 486,349	390,124	$ 876,473

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
June 30, 2019

	Pledge Collateral		Southwest Capital Bank Las Vegas, NM	Community 1st Bank Las Vegas, NM	Total
	Safekeeping Location	Type of Security			
Funds on Deposits Demand Deposits			$ 833,654	3,636,985	$ 4,470,639
FDIC Insurance Demand Deposits			(250,000)	(250,000)	(500,000)
Total Uninsured Public Funds			$ 583,654	3,386,985	$ 3,970,639
Collateral Requirement per section 6-10-17 NMSA			50%	50%	
			$ 291,827	1,693,493	$ 1,985,320
Pledge Collateral					
	Federal Home Loan Bank	FHLB FIXED RATE NOTE CUSIP #3130A1XJ2	-	3,147,381	3,147,381
	Federal Home Loan Bank	FHLB Letter of Credit LOC 4305000004	500,000	-	500,000
			500,000	3,147,381	3,647,381
Deficiency /(Excess) of Pledge Collateral over the required amount			$ (208,173)	(1,453,889)	$ (1,662,062)

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2019

Federal Grantor/Program Title	CFDA#	Award/Sub Award #	Subrecipient Expenditures	Expenditures
US Department of Education				
Direct Programs:				
Student financial assistance cluster:*				
PELL Grant 17-18	84.063	17-18/18-19	$ -	$ 4,994
PELL Grant 18-19	84.063	18-19	-	1,226,846
SEOG 18-19	84.007	18-19	-	50,572
Fed College Work-Study 17-18	84.033	17-18/18-19	-	2,730
Fed College Work-Study 18-19	84.033	18-19	-	33,339
Direct Loans Subsidized 18-19	84.268	18-19	-	108,259
Direct Loans Un-Subsidized 17-18	84.268	17-18/18-19	-	1,485
Direct Loans Un-Subsidized 18-19	84.268	18-19	-	73,893
			-	1,502,118
Passed through State of New Mexico				
Doctoral Dissertation Rsch Abrd				
(Adult Basic Ed)	84.022	689888 (17-18)	-	52,076
Total US department of Education			-	1,554,194
US Small Business Administration				
Passed through New Mexico Small				
Business Development Center:				
Small Business Development Center	59.037	17-18	-	9,926
			-	9,926
United States Treasury				
AmeriCorps State and National	94.006	17-18	-	139
			-	139
US Department of Health and Human Services				
AHEC-POSME	93.107	Subaward#3RF40	-	96,036
Total US Department of Health			-	96,036
National Science Foundation				
Passed through New Mexico Tech				
STEM Grant Transfer (STeP)1617/1718	47.076	NMIMT#STEM10-710412	-	500
Total National Science Foundation			-	500
Total Expenditures of Federal Awards			$ -	$ 1,660,795

* Denotes major program

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 2019 or accrued revenue at June 30, 2019. This schedule has been prepared on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenues are recorded for financial reporting purposes when the College has met the qualifications for the respective program.

NOTE 2. CONTINGENCIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. FEDERAL LOAN PROGRAM

The College administers the Federal Direct Loan Program (CDFA 84.268). During the fiscal year ended June 30, 2019, the College processed $183,637 of new loans under the Federal Direct Loan Program. The amounts processed under the direct loan program are included on the Schedule of Expenditures of Federal Awards.

NOTE 5. OTHER DISCLOSURES

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

OTHER REPORTS

1080 18th Street NW
Albuquerque, NM 87104
505 338 0800 *office* www.riccicpa.com

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the respective budgetary comparisons of the State of New Mexico, Luna Community College (College) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 25, 2019.

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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 considered the deficiency described in the accompanying schedules of findings and questioned costs as CU 2016-001 to be a material weakness.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did identify one deficiency in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Management's Response to Findings

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

Purpose of this Report

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

Ricci & Company LLC

Albuquerque, New Mexico
October 25, 2019

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

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

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

We have audited 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, 2019. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion the College complied, in all material respects, with the types of compliance requirements referred to above that could have a material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

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

We have audited the financial statements of the College as of and for the year ended June 30, 2019, and have issued our report thereon dated October 25, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Ricci & Company, LLC

Albuquerque, New Mexico
October 25, 2019

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2019

SECTION 1 – SUMMARY OF AUDITOR RESULTS

Type of report issued:	Unmodified
Internal Controls over Financial Reporting:	
Material weaknesses reported?	Yes
Significant deficiencies reported?	No
Noncompliance material to the financial statements noted?	No

SECTION 2 - CURRENT YEAR FINDINGS AND RESPONSES

CU 2019-001 (2016-001) – Internal Controls over Financial Reporting and Closing	Repeated & Modified

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

FINDINGS IN ACCORDANCE WITH 2.2.2.NMAC.

None.

FINANCIAL STATEMENT FINDINGS

CU 2019-001 (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 College is currently under contract with a consultant who is aiding in getting the Foundations books current, and implementing controls when the Foundation Board is reestablished and begins operations.

Management has made notable progress on clearing this funding but has not completely resolved.

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 adequate records be maintained.

Recommendation

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

CU 2019-001 (2016-001) Internal Controls over Financial Reporting and Closing (Material Weakness) (Repeated and Modified) (Continued)

Views of Responsible Officials and Planned Corrective Actions

During the 2018-2019 fiscal year, the Foundation was without an operating Board of Directors with the exception of the President, Mr. Johnathan Madrid who has assisted in audit matters. No operating actives occurred in FY19. The College itself is currently aiding the Foundation with bookkeeping to update the financial records.

The Foundation Board was reestablished in July of 2019 and is currently reviewing it protocols and controls along with its bylaws to reestablish its management structure to ensure proper accounting practices. The Foundation Board is seeking to approve it Policies and Procedures Guide along with its Memorandum of Agreement with the College. See attached drafts.

The attached agendas and or minutes evidence the commitment to bring the Foundation operations to a high level of accountability.

The financial records for FY19 were submitted to the auditors and indicate there were no operating transactions. With the new board in place, the College will ensure the Foundation receives all bank and other correspondence that is mailed to the College.

The College President will be working with Human recourse Director regarding the hiring of a part-time Foundation Executive Director once the Foundation Board approves the job description. The LCC Human Resources Director has provided the Foundation a representative job description for reference.

ESTIMATED TIMELINE TO CORRECT

The College will have the correct actions implemented within six months.

RESPONSIBLE OFFICIAL

Foundation Board and the Foundation Executive Director with oversight from the College.

Status of Prior Year Audit Findings	**Current Status**
FS 2016-003 – Procurement	Resolved
FS 2016-004 – Fixed Asset Inventory	Resolved
FS 2017-001 – Internal Controls over Bank Reconciliations	Resolved
NM 2017-001 – Under Collateralized Pledged Collateral	Resolved
CU 2016-001 – Internal Controls over Financial Reporting and Closing	Repeated & Modified
CU 2016-002 – Scholarships	Resolved
CU 2017-001 – Annual Corporate Report Not Submitted Timely	Resolved
FS 2018-001 – Controls over Fixed Assets	Resolved

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
EXIT CONFERENCE
Year ended June 30, 2019

An exit conference was held on October 22, 2019, with the following in attendance:

Luna Community College

Rolando Rael, President
Donna Flores-Medina, Vice-President of Finance and Administration
Evelyn Montoya, Executive Office Manager, Finance and Administration
Francina Martinez, Controller
Michael Montoya, Financial Aid Director
Eugenio Perez IV, Board

Ricci & Company LLC Personnel:

Michael Easley, CPA, Audit Supervisor