

NEW MEXICO JUNIOR COLLEGE

BOARD MEETING

Thursday, January 18, 2018
Zia Board Room – Library
1:30 pm

AGENDA

- | | |
|---|---------------|
| A. Welcome | Pat Chappelle |
| B. Adoption of Agenda | Pat Chappelle |
| C. Approval of Minutes of December 21, 2017 | Pat Chappelle |
| D. President's Report | Kelvin Sharp |
| E. New Business | |
| 1. Fiscal Year June 30, 2017 Audit Report | Dan Hardin |
| 2. Monthly Expenditure Reports | Dan Hardin |
| 3. Monthly Revenue Report | Dan Hardin |
| 4. Oil and Gas Revenue Report | Dan Hardin |
| 5. Schedule of Investments | Dan Hardin |
| 6. Consideration of Quarterly Financial Action Report | Dan Hardin |
| F. Public Comments | Pat Chappelle |
| G. Announcement of Next Meeting | Pat Chappelle |
| H. Adjournment | Pat Chappelle |

**NEW MEXICO JUNIOR COLLEGE
BOARD MEETING
DECEMBER 21, 2017
MINUTES**

The New Mexico Junior College Board met on Thursday, December 21, 2017, beginning at 1:30 p.m. in the Zia Room of Pannell Library. The following members were present: Ms. Patricia Chappelle, Madam Chair; Mr. Ron Black, Secretary; Mr. Travis Glenn; Mr. Manny Gomez; Mrs. Mary Lou Vinson; Ms. Evelyn Rising; and Mr. Hector Baeza.

Ms. Chappelle called the meeting to order and welcomed visitors and guests present: Dorothy Fowler, Hobbs News-Sun and Mr. Lucas Ford, HB Construction.

Upon a motion by Mr. Glenn, seconded by Mr. Baeza, the agenda was unanimously adopted.

Upon a motion by Mr. Black, seconded by Mr. Glenn, the Board unanimously approved the minutes of November 16, 2017.

Under President's Report, Dr. Larry Sanderson provided the results of an NMJC Employee Survey contracted with Ruffalo Noel Levitz. The survey was administered over a ten-day period in early October 2017. The overall rate of results showed an employee satisfaction rate of 4.26%, up from 4.16% in comparison to the last survey conducted in 2012.

Dr. Sharp provided significant discussion of a Legislative Finance Committee (LFC) meeting recently attended in Santa Fe, New Mexico. Updates included a presentation of the current Governance Structure in New Mexico, recommendations of the restructure of the governing boards made by the NM SHEM Committee and by Higher Education Department Cabinet Secretary, Dr. Barbara Damron. In addition, Mr. Gomez asked if common course numbering was discussed. Dr. Sharp responded it was not but stated all New Mexico institutions will have a common course numbering in place by the end of 2018.

Under New Business, Dr. Kelvin Sharp administered the Oath of Office to Ms. Evelyn Rising for appointment to the Board for District VI.

Dan Hardin presented the November 2017 financial reports. Upon a motion by Mr. Glenn, seconded by Mr. Baeza, the Board unanimously approved the Expenditure Report for November 2017. In addition, the Revenue Report, Oil and Gas Revenue Report, and Schedule of Investments Report were reviewed.

Mr. Hardin presented a request to move funds in the amount of \$3,000,000.00 from the LGIP to invest into one-year insured certificates of deposits in the amount of \$250,000.00 with various banks across the country. In addition, he requested approval of converting funds from LGIP to short-term certificates of deposit that would correspond with the schedule of payments for the construction of the Allied Health building. Upon a motion by Mrs. Vinson, seconded by Mr. Gomez, the Board unanimously approved both requests.

Mr. Lucas Ford with HB Construction presented HB Construction's guaranteed max price of \$8,879,985.00 for the construction of the Allied Health building scheduled to begin in January of 2018. Mr. Hardin noted the max price amount does not include gross receipt taxes of approximately \$500,000.00 increasing the price to \$9,379,985.00. Upon a motion by Mr. Gomez, seconded by Mr. Glenn, the Board unanimously approved the price presented for the construction of the Allied Health building.

Ms. Chappelle called for comments from the public. There being none, the next regular board meeting was scheduled for Thursday, January 18, 2018 beginning at 1:30 pm.

Upon a motion by Mrs. Vinson, seconded by Mr. Gomez, the board meeting adjourned at 2:30 pm.

Pat Chappelle, Chair

Ron Black, Secretary

NEW MEXICO JUNIOR COLLEGE

Vice President for Finance

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Hobbs, NM 88240
Phone: (575)492-2770
Fax: (575)492-2768

To: New Mexico Junior College Board members

From: Dan Hardin

RE: FY 17 Audit

Date: January 12, 2018

Board members,

At the January 18th Board meeting, Cindy Bryan with RPC CPA's & Consulting, LLP will present the 2017 Audit report for your review and approval. The institutional portion of the 2017 audit has an unmodified opinion, which is the opinion that we strive to obtain. In past years it was called an unqualified opinion. The College paid RPA CPA's & Consulting, LLP \$59,770.00 for the completion of the audit. The State Auditor's Office did not participate in the FY 17 audit. Each year because of the dollar amount of restricted funds or grant funds that the College receives, the auditors do a review over the federal awards. The opinion of the federal awards was also an unmodified opinion.

In the presentation of the audit at the January board meeting, Cindy will probably talk about the change of the net position of the College and the requirement to record the Educational Retirement Board (ERB) net pension liability. GASB stands for the Governmental Accounting Standards Board. This change reflects the deferred ERB outflow of employer contributions. Cindy will address this in more detail when she presents the audit to the Board. The net position on 6 30 2016 was \$69,956,869.00, the net position of the College as of 6 30 2017 was \$75,428,248.00.

Included in the audit is one audit finding that Cindy may or may not address in her presentation. Included in this memo is a listing of the finding and information about the finding.

**FS 2016 – 1 Detailed Inventory Listing Not Provided – significant deficiency
(Modified and Repeated)**

Condition; During our inventory observation test work on June 30, 2017, we did not receive a valid detailed inventory listing as of June 30, 2017 to tie out our counts. There were mistakes in the listing such as inflated prices for scrubs, which resulted in an

inventory balance on the inventory listing that was \$960,363 higher than it should have been.

College's Response; Management agrees that the review by the College bookstore employees of daily and monthly College bookstore financial reports is important to the administration of the College bookstore. Management also understands that without proper inventory controls, the College bookstore cannot verify what inventory is on-hand. The Director of Bookstore Services and the Assistant Director of Bookstore Services will work together to review detailed inventory reports to ensure that the quantities, cost, and retail values reported are accurate. The detailed inventory reports along with other essential financial reports will be reviewed monthly to ensure its accuracy and update as needed. An MBS (the College's bookstore software provider) was set up for November 2016 to discuss with College bookstore staff on how to run inventory reports and review for accuracy. An MBS consultant (the College bookstore's software provider) will be present when the College bookstore conducts their end-of-year inventory in June 2018.

I would like to recognize Josh Morgan, as he does the bulk of the audit along with Beth Hancock, Stacey Wynn, Regina Choate, Regina Palmer and Amy Solano in the Business Office, Sheryl Pounds in Payroll, Kerrie Mitchell and the Financial Aid staff, the grant folks, and Tina Kunko with the Foundation. Everyone's hard work and cooperation is essential in having a successful audit.

We appreciate Cindy Bryan, and Paul Garcia and their staff at RPC CPA's & Consultants, LLP for submitting the audit on time and for being very professional in working with the NMJC staff.

Respectfully,

Dan Hardin

State of
New Mexico
New Mexico
Junior College

Financial Statements with
Report of Independent Certified Public Accountants
Year Ended June 30, 2017



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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
New Mexico Junior College
Table of Contents
June 30, 2017

INTRODUCTORY SECTION	<u>Schedule</u>	<u>Page</u>
Table of Contents		5
Official Roster		6
 FINANCIAL SECTION		
Independent Auditors' Report		8-10
Management's Discussion and Analysis		11-16
 BASIC FINANCIAL STATEMENTS		
Statement of Net Position		18
Statement of Revenues, Expenses and Changes in Net Position		19
Statement of Cash Flows		20
Statement of Fiduciary Assets and Liabilities		21
Notes to the Financial Statements		22-52
 REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of the College's Proportionate Share of the Net Pension Liability	I	54
Schedule of the College's Contributions	II	55
Notes to Required Supplementary Information		56
 SUPPLEMENTARY INFORMATION		
Statement of Revenues, Expenditures and Changes in Fund Balance- Budget (Non-GAAP Budgetary Basis) and Actual:		
Unrestricted and Restricted - All Operations	A-1	58
Unrestricted - Non-Instruction and General	A-2	59
Restricted - Non-Instruction and General	A-3	60
Unrestricted - Instruction and General	A-4	61
Restricted - Instruction and General	A-5	62
 SUPPORTING SCHEDULES		
Schedule of Deposit and Investment Accounts	<u>III</u>	64-65
Schedule of Collateral Pledged by Depository	IV	67
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds	V	68-69
 COMPLIANCE SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		72-73
 FEDERAL FINANCIAL ASSISTANCE		
Report on Compliance for each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance		76-77
Schedule of Expenditures of Federal Awards	VI	78-79
Schedule of Findings and Questioned Costs	VII	80-82
 OTHER DISCLOSURES		
		83

STATE OF NEW MEXICO
 New Mexico Junior College
 Official Roster
 June 30, 2017

<u>Name</u>	BOARD MEMBERS	<u>Title</u>
Pat Chappelle		Chairman
Manny Gomez		Member
Mary Lou Vinson		Member
Ron Black		Secretary
Hector Baeza		Member
Travis Glenn		Member

**ADMINISTRATIVE
OFFICIALS**

Dr. Kelvin Sharp	President
Dan Hardin	Vice-President for Finance
Dr. Dennis Atherton	Vice-President for Instruction and Interim Vice-President for Student Services
Larry Anderson	Vice-President of Development, Institutional Effectiveness and Accreditation
Jeff McCool	Vice-President for Training and Outreach

**NMJC FOUNDATION
BOARD MEMBERS**

<u>Name</u>	<u>Title</u>
Scott Smith	President
John Graham	Vice-President
Dan Hardin	Treasurer
Tina Kunko	Secretary

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
U.S. Office of Management and Budget and
New Mexico Junior College Board
New Mexico Junior College
Hobbs, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the fiduciary fund of New Mexico Junior College (the "College"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2017, 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 misstatement, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating 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, the discretely presented component unit and the fiduciary fund of the College, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, the budgetary comparisons of the College referred to above present fairly, in all material respects, the respective budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the GASB required supplementary pension schedules on pages 11 through 16 and 54 through 56, respectively, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. The introductory section, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Combining Financial Statements, Supporting Schedules III through IV required by 2.2.2 NMAC, as required are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

RPC CPAs + Consultants LLP

RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
October 24, 2017

State of New Mexico
New Mexico Junior College
Management's Discussion and Analysis
June 30, 2017

Overview of the Financial Statements and Financial Analysis

For financial reporting purposes, New Mexico Junior College (College) is considered a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

This report consists of Management's Discussion and Analysis (this part), the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows and the notes to the financial statements. These statements provide both long-term and short-term financial information for the College. Included in the reports and discussion is the New Mexico Junior College Foundation as a component unit for fiscal year 2017.

The discussion and analysis of the College's financial statements provides an overview of its financial activities as of and for the year ended June 30, 2017. This discussion gives a comparative analysis of business-type activity from fiscal year 2016 to fiscal year 2017.

Financial Highlights

The College's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the June 30, 2017 fiscal year by \$75,428,248.

The College's financial position increased in 2016/2017 as compared to prior years. Net position increased during the year by \$5,471,379 over the previous year. The increase resulted primarily from an increase in Local Mill Levy funding and State GOB funding.

The College's investments reflect \$8,593,127 at June 30, 2017, all of which are with the Local Government Investment Pool.

The Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position report the College's Net Position and how they have changed. Net position—the difference between assets and liabilities—is one way to measure the College's financial health, or position. Over time, increases or decreases in the College's net position are an indicator of whether its financial health is improving or deteriorating. Non-financial factors are also important to consider, including student enrollment and the condition of campus facilities. These statements include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting method used by private-sector institutions. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The following table summarizes the College's assets, liabilities, and net position as of June 30, 2017, and includes the comparison to the prior year.

State of New Mexico
New Mexico Junior College
Management's Discussion and Analysis
June 30, 2017

Statement of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017 NMJC Foundation</u>
Assets:			
Current assets	\$ 21,029,379	\$ 23,194,918	\$ 801,324
Capital assets, net	82,553,228	75,992,912	-
Noncurrent assets-			
Intangible asset			75,000
Investments	-	-	7,307,942
Capital assets, net			35,189
Restricted cash	-	-	-
Deferred Outflows	5,176,445	3,965,619	-
Total assets and deferred outflows	<u>\$ 108,759,052</u>	<u>\$ 103,153,449</u>	<u>\$ 8,219,455</u>
Liabilities:			
Current liabilities	\$ 3,010,680	\$ 6,176,377	\$ 83,600
Non-current liabilities	30,034,980	26,585,822	-
Deferred inflows	285,144	434,381	-
Total liabilities and deferred inflows	<u>33,330,804</u>	<u>33,196,580</u>	<u>83,600</u>
Net Position:			
Net investment in capital assets	82,553,228	75,992,912	35,189
Restricted:			
Nonexpendable endowments	-	-	5,676,391
Expendable grants, bequests and contributions	-	-	2,247,537
Expendable future debt service requirements	-	-	-
Unrestricted net position	(7,124,980)	(6,036,043)	176,738
Total net position	<u>\$ 75,428,248</u>	<u>\$ 69,956,869</u>	<u>\$ 8,135,855</u>

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of the College's financial position. For the College, assets exceeded liabilities by \$69,956,869 at the close of June 30, 2016, as compared to the \$75,428,248 as of June 30, 2017. As of June 30, 2017, net investment in capital assets was in the amount of \$82,553,228. The College uses these capital assets in its mission to provide postsecondary educational services to the College' service area; consequently, these assets are not available for future spending. Net capital assets increased in the 2017 fiscal year by \$6,560,316, net of depreciation expense of \$4,164,103. Net Position also consists of unrestricted net position of (\$7,124,980). The negative unrestricted Net Position is due to the College's implementation of GASB 68 and the recording of net pension liability of \$29,979,623. See Note 6 in the Notes to the Financial Statements for a further discussion of the implementation of GASB 68. The Statement of Net Position indicates growth in capital assets. Increases are due to the completion of construction projects and as well as renewal and replacement projects.

State of New Mexico
New Mexico Junior College
Management's Discussion and Analysis
June 30, 2017

The following table summarizes the College's revenues, expenses, and changes in net position for the year ending June 30, 2017 and includes a comparison to the year ended June 30, 2016.

Revenues, Expenses and Changes in Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u> <u>NMJC Foundation</u>
operating revenues	\$ 9,276,895	\$ 9,778,858	\$ 150,061
operating expenses	<u>39,242,591</u>	<u>37,604,410</u>	<u>342,742</u>
Operating (loss) income	(29,965,696)	(27,825,552)	(192,681)
non-operating revenues and expenses	<u>30,254,204</u>	<u>26,691,126</u>	<u>758,871</u>
Income before other revenue	288,508	(1,134,426)	566,190
capital appropriations	<u>5,182,871</u>	<u>743,225</u>	-
Increase (decrease) in net position	<u>\$ 5,471,379</u>	<u>\$ (391,201)</u>	<u>\$ 566,190</u>

Analysis of Changes in Net Position

The the College's Net Position increased by \$5,471,379 during the 2017 fiscal year as compared to a decrease of \$391,201 for the 2016 fiscal year. Operating revenues were \$9,276,895 in 2017, which is a decrease of \$501,963 from fiscal year 2016. Operating expenses were \$39,242,591 in fiscal year 2017, which is an increase of \$1,638,180 from fiscal year 2016.

Operating Revenues

The following table summarizes the College's operating revenues of \$9,276,895 for the fiscal year ended June 30, 2017, as compared to the operating revenues of \$9,778,858 in 2016. Fiscal year 2017 reflects a decrease in revenues from student tuition and fees, federal grants and contracts, state and other grants and contracts, and intercollegiate athletics and an increase in auxiliary enterprises. New Mexico Junior College Foundation revenues for the year total \$150,061, which is a decrease from fiscal year 2016.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u> <u>NMJC Foundation</u>
Student tuition and fees, net	\$ 3,928,828	\$ 3,978,598	\$ -
Federal grants and contracts	1,307,001	1,783,724	-
State and other grants and contracts	700,187	947,909	-
Auxiliary enterprises	2,879,839	2,579,932	-
Intercollegiate athletics	461,040	488,695	-
Gifts, bequests and endowments	<u>-</u>	<u>-</u>	<u>150,061</u>
Total operating revenues	<u>\$ 9,276,895</u>	<u>\$ 9,778,858</u>	<u>\$ 150,061</u>

State of New Mexico
New Mexico Junior College
Management's Discussion and Analysis
June 30, 2017

Operating Expenses

The following table summarizes the College's operating expenses of \$39,242,590 for the fiscal year ended June 30, 2017, as compared to the operating expenses of \$37,604,410 in 2016. The increase in operating expenses is attributed to an increase in Student Aid, Building Renewal & Replacement, Equipment Renewal & Replacement, and Net Pension expense. New Mexico Junior College Foundation expenses for the year were \$342,742.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017 NMJC Foundation</u>
Instruction	\$ 10,840,335	\$ 10,253,592	\$ -
Academic support	2,833,171	2,762,047	-
Student services	3,327,952	3,601,400	-
Institutional support	5,018,051	4,831,530	331,012
Operations and maintenance	3,992,316	3,824,624	-
Depreciation	4,164,103	3,912,270	11,730
Renewals and replacements	676,727	208,478	-
Student aid	3,783,381	3,483,128	-
Public service	173,196	166,822	-
Intercollegiate athletics	1,581,870	1,605,636	-
Auxiliary enterprises	2,579,012	2,774,523	-
Internal service	230,822	157,553	-
Private grants	41,655	22,807	-
	<u>\$ 39,242,591</u>	<u>\$ 37,604,410</u>	<u>\$ 342,742</u>

Non-Operating Revenues (Expenses)

The following table summarizes the College's non-operating revenues (expenses) of \$30,254,203 for the fiscal year ended June 30, 2017. Local appropriations rebounded from a decrease in Fiscal Year 2016 of \$2,165,511 to an increase of \$3,190,078 in Fiscal Year 17. Local appropriations were higher than the budget level approved by the governing board. There were no significant or unexpected changes in the other areas of non-operating revenues and expenses.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017 NMJC Foundation</u>
Property taxes	\$ 9,633,806	\$ 8,116,993	\$ -
Oil and gas taxes	11,366,281	9,693,016	-
Federal pell grants	2,704,343	2,418,379	-
State appropriations, non-capital	5,759,516	6,192,800	-
Other revenue sources	705,686	288,985	-
Investment income	57,452	33,142	709,988
Gain (loss) on sale of capital assets	27,120	(52,189)	-
Production taxes	-	-	(2,209)
Royalties	-	-	51,092
	<u>\$ 30,254,204</u>	<u>\$ 26,691,126</u>	<u>\$ 758,871</u>

State of New Mexico
New Mexico Junior College
Management's Discussion and Analysis
June 30, 2017

Increase in Net Position

The following table summarizes the College's decrease in net position of \$391,201 for June 30, 2016 compared to the increase in net position of \$5,471,379 for June 30, 2017.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>NMJC Foundation</u>
Income before capital appropriations	\$ 288,508	\$ (1,134,426)	\$ 566,190
Capital appropriations	5,182,871	743,225	-
Increase (decrease) in Net Position	5,471,379	(391,201)	566,190
Net position, beginning of year	<u>69,956,869</u>	<u>70,348,070</u>	<u>7,569,665</u>
Net position - end of year	<u>\$ 75,428,248</u>	<u>\$ 69,956,869</u>	<u>\$ 8,135,855</u>

Capital Assets and Debt Administration

At June 30, 2017, the College had \$82,553,228 invested in capital assets as compared to \$75,992,912 at June 30, 2016. The Foundation had \$35,189 for radio equipment.

Capital Assets, Net

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017 NMJC Foundation</u>
Land Improvements	\$ 2,395,001	\$ 2,621,515	\$ -
Buildings	48,145,208	45,180,687	-
Infrastructure	15,612,480	16,468,634	-
Software	1,010,916	1,150,030	-
Library books	461,193	407,082	-
Furniture and equipment	1,894,226	2,046,113	35,189
Automobiles	329,357	463,782	-
Construction in progress	12,496,584	7,446,806	-
Land	<u>208,263</u>	<u>208,263</u>	<u>-</u>
Net capital assets	<u>\$ 82,553,228</u>	<u>\$ 75,992,912</u>	<u>\$ 35,189</u>

Major capital expenditures during the 2017 fiscal year include the Health & Wellness Learning Center project and the Entertainment Technology Renovation project and various infrastructure and land improvement projects and equipment purchases.

The College has no debt outstanding at June 30, 2017.

State of New Mexico
 New Mexico Junior College
 Management's Discussion and Analysis
 June 30, 2017

Budget Comparison

The Board of Directors approves the operating budget of the College. The budget is reviewed and amended as needed due to changing circumstances. The budget is prepared using the basis of accounting prior to implementation of GASB Statement No.'s 34 and 35. Accordingly, budgets are adopted for unrestricted current funds, restricted current funds and plant funds. During the year, expenditure budgets were amended to increase and decrease as follows (in millions):

	2017	2016
Current funds		
Unrestricted	2.72	2.09
Restricted	0.11	0.78
Plant funds	<2.90>	<8.15>

Economic Outlook

New Mexico Junior College serves as a community college center for the communities of southeastern New Mexico and portions of West Texas. The College is largely supported by the local mill levy in Lea County and the ongoing financial and political support from the State of New Mexico. Ten years ago, the financial support from the State represented 45% of the NMJC operating budget. Today that level has declined to less than 20% of the NMJC operating budget. The funding expectations from the State Legislative Finance Committee for fiscal year 2019 are projected to be flat. The local economy in Lea County slowed in early 2016 as oil prices tumbled but as FY 17 began oil prices rebounded to the forties. That along with a steady production level resulted in a stronger local economy and a more active oil field. In the Fall of 2016 the unemployment rate in Lea County was over 9% while the State unemployment level was around 6.7%. One year later the unemployment rate in Lea County is 6.6%. Historically, the unemployment in Lea County drives the student enrollment at New Mexico Junior College.

With the NMJC Board's approval, management has created different marketing strategies which along with the online offerings, low tuition, housing, and athletics, have taken the highs and lows out of the student credit hours at the College. The oil and gas industry is still the driving economic factor in Lea County. New technology in the industry has led to a revitalization and extension of the projected life of some oil fields in Lea County. Although the price of oil remains in the forty to fifty dollar a barrel range, production in the County remains strong. From what we can determine the local economy in 2018 will stay steady, with optimism that the price of oil will be in the middle fifties. Lea County property assessment has increased, allowing property tax revenue to make up some of the loss in State revenues. Over all, the economic outlook for New Mexico Junior College for the coming year appears to be optimistic. At the end of fiscal year 2015 the College was able to retire all debt which placed the College in a better position to weather most funding issues.

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
New Mexico Junior College
Statement of Net Position
June 30, 2017

Assets	Primary Government	NMJC Foundation
Current assets:		
Cash and cash equivalents	\$ 6,643,331	\$ 786,139
Short-term investments	8,593,127	-
Accounts receivable, net	4,385,826	15,185
Inventory	785,662	-
Prepaid expenses	453,942	-
Prepaid summer expenses	167,491	-
<i>Total current assets</i>	21,029,379	801,324
Non-current assets:		
Intangible asset	-	75,000
Investments	-	7,307,942
Capital assets, net	82,553,228	35,189
<i>Total non-current assets</i>	82,553,228	7,418,131
<i>Total assets</i>	103,582,607	8,219,455
Deferred outflows:		
Deferred outflows - employer contributions subsequent to the measurement date	1,651,563	-
Deferred outflows - changes of assumptions	610,265	-
Deferred outflows - differences between expected and actual experience	130,063	-
Deferred outflows - net difference between projected and actual earnings on pension plan investments	1,789,534	-
Deferred outflows - change in proportion and differences between contributions and proportionate share of contributions	995,020	-
<i>Total deferred outflows</i>	5,176,445	-
<i>Total assets and deferred outflows</i>	\$ 108,759,052	\$ 8,219,455
Liabilities and net position		
Current liabilities:		
Accounts payable	\$ 604,182	\$ 24,934
Accrued expenses	1,031,424	-
Unearned revenues	1,163,994	58,666
Compensated absences	211,080	-
<i>Total current liabilities</i>	3,010,680	83,600
Non-current liabilities:		
Compensated absences	55,357	-
Net pension liability	29,979,623	-
<i>Total non-current liabilities</i>	30,034,980	-
Deferred inflows:		
Deferred inflows - differences between expected and actual experience	285,144	-
<i>Total deferred inflows</i>	285,144	-
<i>Total liabilities and deferred inflows</i>	33,330,804	83,600
Net position:		
Net investment in capital assets	82,553,228	35,189
Restricted for:		
Nonexpendable endowments	-	5,676,391
Expendable grants and contributions	-	2,247,537
Unrestricted	(7,124,980)	176,738
<i>Total net position</i>	75,428,248	8,135,855
<i>Total liabilities and net position</i>	\$ 108,759,052	\$ 8,219,455

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
New Mexico Junior College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017

	Primary Government	NMJC Foundation
Operating revenues:		
Student tuition, fees and trainings	\$ 3,928,828	\$ -
Federal grants and contracts	1,307,001	-
State and other grants and contracts	700,187	-
Auxiliary enterprises	2,879,839	-
Intercollegiate athletics	461,040	-
Gifts, bequests and endowments	-	150,061
<i>Total operating revenues</i>	<u>9,276,895</u>	<u>150,061</u>
Operating expenses:		
Instruction	10,840,335	-
Academic support	2,833,171	-
Student services	3,327,952	-
Institutional support	5,018,051	331,012
Operations and maintenance	3,992,316	-
Public service	173,196	-
Auxiliary enterprise expenses	2,579,012	-
Intercollegiate athletics	1,581,870	-
Internal service	230,822	-
Student aid	3,783,381	-
Private grants	41,655	-
Renewals and replacements	676,727	-
Depreciation	4,164,103	11,730
<i>Total operating expenses</i>	<u>39,242,591</u>	<u>342,742</u>
Operating loss	<u>(29,965,696)</u>	<u>(192,681)</u>
Non-operating revenues (expenses):		
Property taxes	9,633,806	-
Oil and gas taxes	11,366,281	-
Federal pell grants	2,704,343	-
State appropriations, non-capital	5,759,516	-
Other revenue and expenses	705,686	-
Investment income	57,452	709,988
Gain from the sale of capital assets	27,120	-
Production taxes	-	(2,209)
Royalties	-	51,092
Net non-operating revenues (expenses)	<u>30,254,204</u>	<u>758,871</u>
Income before capital appropriations	288,508	566,190
State appropriations, capital	<u>5,182,871</u>	<u>-</u>
Change in net position	5,471,379	566,190
Net position, beginning of year	<u>69,956,869</u>	<u>7,569,665</u>
<i>Net position, end of year</i>	<u>\$ 75,428,248</u>	<u>\$ 8,135,855</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
New Mexico Junior College
Statement of Cash Flows
For the Year Ended June 30, 2017

	Primary Government
Cash flows from operating activities:	
Tuition, fees and trainings	\$ 2,882,129
Federal and state grants and contracts	2,857,428
Auxiliary enterprise charges	2,879,839
Intercollegiate athletics	461,040
Payments to employees and for employee benefits	(20,274,451)
Disbursement of net aid to students	(5,637,728)
Payments to suppliers	(14,468,232)
<i>Net cash used by operating activities</i>	(31,299,975)
Cash flows from noncapital financing activities:	
State appropriations	5,759,516
Federal pell grants	2,704,343
Property taxes	10,125,891
Oil and gas taxes	14,102,507
<i>Net cash provided by noncapital financing activities</i>	32,692,257
Cash flows from capital financing activities:	
Capital appropriations	5,182,871
Purchase of capital assets	(10,749,918)
Gain from the sale of capital assets	52,619
Other revenue sources	705,686
<i>Net cash used by capital financing activities</i>	(4,808,742)
Cash flows from investing activities:	
Interest received on investments	57,452
<i>Net cash provided by investing activities</i>	57,452
<i>Net decrease in cash and cash equivalents</i>	(3,359,008)
Cash and cash equivalents - beginning of year	18,595,466
<i>Cash and cash equivalents - end of year</i>	\$ 15,236,458
Reconciliation to Statement of Net Position	
Cash and cash equivalents	\$ 6,643,331
Short-term investments	8,593,127
<i>Cash and cash equivalents - end of year</i>	\$ 15,236,458
Operating Loss	\$ (29,965,696)
Reconciliation of operating loss to net cash used by operating activities:	
Depreciation expense	4,164,103
Net pension expense	3,404,686
Changes in assets and liabilities:	
Accounts receivable, net	(1,149,143)
Accounts receivable taxes	(3,228,311)
Prepaid expenses	88,182
Prepaid summer expenses	(13,437)
Inventory	(119,071)
Accounts payable	(3,011,748)
Accrued expenses	(85,105)
Unearned revenues	16,892
Deferred outflows	(1,360,063)
Compensated absences	(41,264)
<i>Net cash used by operating activities</i>	\$ (31,299,975)
Supplemental cash flow information	
Loss on disposal of capital assets	\$ (25,499)

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
New Mexico Junior College
Statement of Fiduciary Assets and Liabilities
June 30, 2017

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 350,161
<i>Total assets</i>	<u>\$ 350,161</u>
Liabilities	
Accounts payable	\$ 12,470
Due to student organizations	<u>337,691</u>
<i>Total liabilities</i>	<u>\$ 350,161</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies

1. Organization

New Mexico Junior College (the College) was established in 1965, in accordance with laws of the State of New Mexico to serve the needs of the residents of Lea County, New Mexico. The College has grown into a comprehensive community college. New Mexico Junior College (NMJC) offers a variety of educational opportunities and services to meet needs in the lifelong process of personal and professional development. NMJC offers programs for students to develop basic academic skills for successful post-secondary study; courses and programs that prepare individuals for employment, career updating, and job advancement; the first two years of study for those seeking transfer to a four-year college; public service activities, including workshops, seminars, forums, and cultural arts programs; comprehensive student development services which provide student support and assistance; and courses for personal growth and cultural enrichment. While the College receives funding from local, state, and federal 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.

2. Financial 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 the New Mexico Junior College and the statement of net position, statement of revenues, expenses, and changes in net position of its discretely presented component unit.

Component unit

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 College.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

2. Financial Reporting Entity (continued)

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 College is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the College could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the College has two component units required to be reported under GASB Statements No. 14, No. 39, No. 61, and No. 80 as there is one discretely presented component unit and one blended component unit. The discretely presented component unit does not have separately issued financial statements. The College does not have any related organizations, joint ventures or jointly governed organizations.

The following is a blended component unit:

On October 25, 2011, the NMJC Research Foundation (the Research Foundation) was incorporated by New Mexico Junior College. The Research Foundation is a blended component unit of the College presented and reported upon as a part of the basic financial statements of the College.

The Research Foundation was organized pursuant to the University Research Park and Economic Development Act, NMSA 1978 Section 21-28-1, et. seq (“Act”). Specifically, the Research Foundation is organized to engage in cooperative ventures of innovative technological significance that will advance education, science, research, conservation, health care and/or economic development within New Mexico. The Research Foundation will serve as a resource, source of information, conduit and liaison between educational institutions, private industry and governmental entities to promote research in numerous areas including, but not limited to education and science.

The research and education activities will be aimed toward promoting collaboration between various entities to eliminate or reduce duplicate research efforts. The Research Foundation will seek to recruit technical experts, scientists, and other qualified individuals, including community and business leaders to be available for such research.

In addition to the activities set forth above, the Research Foundation will:

- Work with faculty and staff of New Mexico Junior College to develop and administer research, training and community service grants, contracts and self-service programs;
- Develop and manage major centers, institutes, community partnerships, and programs;
- Provide technology transfer services;
- Acquire, develop and manage real property to provide space for sponsored research programs;
- Administer fellowships and financially manage and invest gifts, trusts, and endowments, as they relate to the primary function of the Research Foundation.

The following is a discretely presented component unit:

In 1970, the New Mexico Junior College Foundation (the Foundation) was established to advance educational excellence at the College. The Foundation is a component unit of the College discretely presented and reported upon as a part of the basic financial statements of the College. The Foundation engages in fund raising to support the College’s academic programs, scholarships, building funds and faculty/staff development. The Foundation coordinates all private capital fund raising for the College, including fund solicitations, gift acceptance, acknowledgements and asset management.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

2. Financial Reporting Entity (continued)

The New Mexico Junior College Foundation (the Foundation) is presented in the financial statements of the College due to the nature and significance of its relationship with the College. The Foundation is discretely presented to allow the financial statement users to distinguish between the College and the Foundation.

3. 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, accompanied by the financial information for the Foundation. The effect of internal activity between funds or groups has been eliminated from these financial statements.

4. 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. The Fiduciary Funds are used to account for assets held by the College in a capacity as an agent for various student organizations and outside parties. Fiduciary Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

5. 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 accounts, net pension liability and the estimated useful lives of capital assets.

6. 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 resources not used are swept nightly and invested overnight. Cash resources not needed to meet immediate needs are invested with the New Mexico State Treasurer's Office short-term investment pool (LGIP). Amounts invested with the State Treasurer's LGIP are readily available to the College when needed and are recorded at cost which approximates fair value.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

6. Cash and Cash Equivalents and Statement of Cash Flows (continued)

Cash and cash equivalents include cash on hand, cash in banks, LGIP, securities subject to overnight sweep repurchase agreements, and certificates of deposit with various financial institutions. For the purposes of the cash flow statement, due to its liquidity and characteristics, the investment on hand at the LGIP is considered a cash equivalent. At June 30, 2017, 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.

7. 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 is maintained at a level which, in the administration's judgment, is sufficient to provide for possible losses in the collection of these accounts.

8. Unearned Revenues and Expenditures

Unearned revenue relates to student tuition, fees, and bookstore sales received during the current fiscal period for classes to be held in the following period. Similarly, deferred expenditures represent scholarship funds expended in the current period relating to 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 and uncollectible amounts.

9. Inventories

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

10. 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, and an estimated useful life of greater than one year. Renovations to buildings costing \$100,000 or more, and infrastructure and land improvements costing \$50,000 or more and that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Information technology equipment including software is being capitalized in accordance with 2.20.1.9(C)(5) NMAC [9-30-99, recompiled 10/01/01].

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. There was no interest expense capitalized by the College during the current fiscal year. No interest was included as part of the cost of capital assets under construction.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

10. Capital Assets (continued)

Property, plant, and equipment of the College are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Infrastructure and land improvements	20
Library books	5
Vehicles	5
Equipment	5-7
Software	5-10

11. Compensated Absences

Accumulated unpaid vacation is accrued when incurred in the current unrestricted fund. Employees entitled to earn vacation may accrue five, ten, or fifteen days of vacation each year. According to College policy, conversion of sick leave accrual to cash is not permitted and in accordance with Accounting Standards Codification No. 710, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick leave.

The College's Foundation endowment consists of funds established for tuition assistance and institutional support. As required by generally accepted accounting principles, restricted assets associated with endowment funds, including funds designated by the governing body to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's endowment policy requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the donor restricted endowment fund that is not classified in permanently restricted assets is classified as temporarily restricted assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with applicable State laws and internal policies.

12. 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; and c) contracts and grants.

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.

13. 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.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

13. Economic dependency (continued)

The College receives a significant portion of their revenue from property tax revenue and oil and gas tax revenue. Property tax revenue was \$9,633,806 or 24% of total revenue in fiscal year 2017. Oil and gas production and equipment tax revenue fluctuates significantly upon demand and was \$11,366,281 or 29% of total revenue in fiscal year 2017.

14. Net position

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

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

Restricted:

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.

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. College housing programs are a primary example of operations that have unrestricted net position with designated uses. The College has adopted a policy of utilizing restricted – expendable funds, when available, prior to unrestricted funds.

15. Revenue Recognition for Derived Tax Revenues

It is the policy of the College to recognize nonexchange revenue for which there are time requirements in the period in which those time requirements are met, regardless of whether the revenues are due or whether an enforceable legal claim exists. If no time requirements are specified in enabling legislation, revenues are recognized when the College has an enforceable legal claim (provided that the underlying exchange transaction has occurred) to the assets or when they are received, whichever occurs first.

16. 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.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

16. Budgetary Process (continued)

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

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

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

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.

17. Interfund borrowing

Interfund borrowing is recorded in each fund as due to/due from other funds. Such borrowing is temporary in nature and is authorized in advance by the board or administrative action. The borrowing provides needed working capital. No interest is charged on interfund loans.

18. Income Tax Status

The income generated by the College, as an instrumentality of the State of New Mexico, generally is excluded from federal income taxes under Section 115(a) of the Internal Revenue Code. However, the College is subject to taxation on income derived from business activities not substantially related to the College's exempt function (unrelated business income under Internal Revenue Code Section 511); such income is taxed at the normal corporate rate. Contributions to the College are deductible by donors as provided under Section 170 of the Internal Revenue Code.

The Research Foundation and the Foundation are exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

19. Property Tax Calendar

Property Taxes are levied on November 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. Property taxes uncollected after May 10th are considered delinquent. The taxes attach as an enforceable lien on property as of January 1st.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

20. 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 Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. 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.

21. New Accounting Standards Adopted

During the year ended June 30, 2017, 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*, 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* (partial). These five Statements are required to be implemented as of June 30, 2017, 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, 2016 year end, and a portion is effective for June 30, 2017 year end. Effective for June 30, 2017 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 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. This does not apply to the College.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

21. New Accounting Standards Adopted (continued)

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:

- 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.

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*.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 2. Deposits and Investments

State statutes authorize the investment of College funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the College properly followed State investment requirements as of June 30, 2017.

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.

New Mexico State Statutes require collateral pledged to be delivered for securities underlying an overnight repurchase agreement, or a joint safekeeping receipt be issued to the College for at least 102% of the fair value of the securities underlying overnight repurchase accounts invested with the institution. The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments. 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.

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, 2017, \$2,196,091 of the College's bank balances of \$2,721,190 was exposed to custodial credit risk. \$1,283,607 was uninsured and collateralized by the collateral held by the pledging bank's trust department, not in the College's name. \$912,484 of the College's deposits were uninsured and uncollateralized at June 30, 2017.

	Lea County State Bank	Wells Fargo Bank	Western Commerce Bank	Total
Total amount of deposits	\$ 339,049	\$ 2,357,042	\$ 25,099	\$ 2,721,190
Deposit accounts covered by the FDIC coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(25,099)</u>	<u>(525,099)</u>
Total uninsured public funds	<u>89,049</u>	<u>2,107,042</u>	<u>-</u>	<u>2,196,091</u>
Collateralized by securities held by the institution or by its trust department or agent other than the College's name	<u>89,049</u>	<u>1,194,558</u>	<u>-</u>	<u>1,283,607</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ 912,484</u>	<u>\$ -</u>	<u>\$ 912,484</u>
Collateral requirement (50% of uninsured public funds)	\$ 44,525	\$ 1,053,521	\$ -	\$ 1,098,046
Pledged security	1,919,229	1,194,558	-	3,113,787
Over collateralization	<u>\$ 1,874,705</u>	<u>\$ 141,037</u>	<u>\$ -</u>	<u>\$ 2,015,742</u>

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 2. Deposits and Investments (continued)

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

Investments

State statute authorizes the College to invest in direct obligations of the United States or securities that are backed by the full faith and credit of the United States Government or agencies guaranteed by the United States Government. State statute also authorizes the College to invest in bonds or negotiable securities of the United States, the State of New Mexico, or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding.

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The College has no investment policy that would further limit its investment choices.

	Wells Fargo Bank
Total amount of deposits	\$ 4,647,308
Deposit accounts covered by the FDIC coverage	-
Total uninsured public funds	4,647,308
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the College's name	4,647,308
Uninsured and uncollateralized	\$ -
Collateral requirement (102% of uninsured public funds)	\$ 4,740,254
Pledged security	4,740,254
Over collateralization	\$ -

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The New Mexico Junior College does not have a policy to manage the credit risk of its investments. As of June 30, 2017, all of the deposits in the overnight repurchase account were subject to custodial credit risk, however, the entire amount was collateralized by collateral held by the pledging bank's trust department, not in the College's name.

The College invests excess cash in the New MexiGROW Local Government Investment Pool (LGIP). The LGIP investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not Securities and Exchange Commission (SEC) registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10P and Sections 6-10-10.1A and E, NMSA 1978. The pool does not have unit shares. Per Sections 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

STATE OF NEW MEXICO
 New Mexico Junior College
 Notes to the Financial Statements
 June 30, 2017

NOTE 2. Deposits and Investments (continued)

Interest Rate Risk Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an instrument. The College and its component units do not have a formal investment policy that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2017, the College's investment in the State Treasurer Local Government Investment Pool was rated as AAAM by Standard & Poor's.

The College's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Quality and Interest Rate Risk

<u>Investment Type</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>	<u>Rating*</u>
New MexiGROW LGIP	106 days	\$ 8,593,127	AAAm

*Based off Standard & Poor's rating

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the College's or the Foundation's investment in a single type of security. The College and the Foundation do not have a formal policy to address concentration of credit risk. The College did not have any investments at June 30, 2017, other than investments in the State Treasurer's *New MexiGROW* LGIP. Therefore, they are not subject to any concentration of credit risk.

Fair Value Measurements

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 2. Deposits and Investments (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

New MexiGROW LGIP is valued at the daily closing price as reported by the fund. These investments held by the College are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the College are deemed to be actively traded.

The College maintained a balance of \$8,593,127 in LGIP at year end which required fair value disclosure.p

The following table sets forth by level within the fair value hierarchy, the College's assets at fair value as of June 30, 2017:

<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>\$ 8,593,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,593,127</u>

Beginning Cash and Cash Equivalents – Statement of Cash Flows

The College considers all instruments with an original maturity of 90 days or less to be cash equivalents for the purpose of presenting the statement of cash flows. Accordingly, cash equivalents as presented on the statement of cash flows has been adjusted to reflect the \$15,236,458.

Reconciliation of Deposits and Investments to the Statement of Net Position and Statement of Fiduciary Assets and Liabilities

Deposits and overnight repurchase	\$ 7,368,498
<i>New MexiGROW LGIP</i>	<u>8,593,127</u>
Total deposits and investments	15,961,625
Petty cash	6,056
Add reconciling items	<u>(381,062)</u>
Total cash and cash equivalents and investments	<u>\$ 15,586,619</u>
Statement of Net Position:	
Cash and cash equivalents	\$ 6,643,331
Short-term investments	<u>8,593,127</u>
Cash and cash equivalents, end of year per statement of cash flows	15,236,458
Statement of Fiduciary Assets and Liabilities:	
Cash and cash equivalents	<u>350,161</u>
Net deposits and investments	<u>\$ 15,586,619</u>

STATE OF NEW MEXICO
 New Mexico Junior College
 Notes to the Financial Statements
 June 30, 2017

NOTE 3. Accounts Receivable

The College's accounts receivable at June 30, 2017 represent revenues earned from student tuition and fees, loans, advances to students, 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 within sixty days after year-end with the exception of oil and gas taxes which are a derived tax revenue and assets must be recognized in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever comes first. 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:

Property taxes	\$ 492,085
Oil and gas taxes	2,736,226
General receivables	233,427
Student receivables	1,733,285
Other receivable	<u>244,349</u>
	5,439,372
Less allowance for uncollectible accounts	<u>(1,053,546)</u>
 Net total accounts receivable	 <u><u>\$ 4,385,826</u></u>

NOTE 4. Accrued Expenses

The College's accrued expenses at June 30, 2017 are as follows:

Payroll	\$ 497,615
Payroll taxes and related liabilities	<u>533,809</u>
 Total accrued expenses	 <u><u>\$ 1,031,424</u></u>

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 5. Capital Assets

The following table summarizes the changes in the College's capital assets during the fiscal year ended June 30, 2017. Land and construction in progress are not subject to depreciation.

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Assets not being depreciated:				
Construction in progress	\$ 7,446,806	\$ 9,079,665	\$ 4,029,887	\$ 12,496,584
Land	208,263	-	-	208,263
	<u>7,655,069</u>	<u>9,079,665</u>	<u>4,029,887</u>	<u>12,704,847</u>
Assets being depreciated:				
Land improvements	6,415,945	105,239	-	6,521,184
Buildings	68,680,815	4,559,119	-	73,239,934
Infrastructure	20,449,291	134,732	-	20,584,023
Software	2,177,465	5,021	-	2,182,486
Library books	898,776	193,023	209,755	882,044
Furniture and equipment	11,151,729	666,898	617,038	11,201,589
Automobiles	1,776,883	36,107	16,404	1,796,586
	<u>111,550,904</u>	<u>5,700,139</u>	<u>843,197</u>	<u>116,407,846</u>
Totals	<u>119,205,973</u>	<u>14,779,804</u>	<u>4,873,084</u>	<u>129,112,693</u>
Less accumulated depreciation:				
Land improvements	3,794,430	331,753	-	4,126,183
Buildings	23,500,128	1,594,598	-	25,094,726
Infrastructure	3,980,657	990,886	-	4,971,543
Software	1,027,435	144,135	-	1,171,570
Library books	491,694	138,912	209,755	420,851
Furniture and equipment	9,105,616	794,927	593,180	9,307,363
Automobiles	1,313,101	168,892	14,764	1,467,229
	<u>43,213,061</u>	<u>4,164,103</u>	<u>817,699</u>	<u>46,559,465</u>
Net capital assets	<u>\$ 75,992,912</u>	<u>\$ 10,615,701</u>	<u>\$ 4,055,385</u>	<u>\$ 82,553,228</u>

Depreciation expense as of June 30, 2017 was \$4,164,103. The College recognized a gain on sale of assets in the amount of \$27,120.

NOTE 6. Pension Plan – Educational Retirement Board

General Information about the Pension Plan

Plan description. ERB was created by the state's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer 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 agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 6. Pension Plan – Educational Retirement Board (continued)

Benefits provided. A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and 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. A brief summary of Plan coverage provisions follows:

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. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date 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.

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. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was 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 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. 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 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%.

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.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

STATE OF NEW MEXICO
 New Mexico Junior College
 Notes to the Financial Statements
 June 30, 2017

NOTE 6. Pension Plan – Educational Retirement Board (continued)

If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions. The contribution requirements of plan members and the College are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2017 employers contributed 13.90% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. For fiscal year ended June 30, 2017 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the College was \$1,651,563 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016. At June 30, 2017, the College reported a liability of \$29,979,623 for its proportionate share of the net pension liability. The College's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2016. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2016, the College's proportion was 0.41659 percent, which was an increase of 0.00631 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the College recognized pension expense of \$3,404,686. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 130,063	\$ (285,144)
Net difference between projected and actual earnings on pension plan investments	1,789,534	-
Changes of assumptions	610,265	-
Changes in proportion and differences between contributions and proportionate share of contributions	995,020	-
Employer contributions subsequent to the measurement date	1,651,563	-
Total	\$ 5,176,445	\$ (285,144)

STATE OF NEW MEXICO
 New Mexico Junior College
 Notes to the Financial Statements
 June 30, 2017

NOTE 6. Pension Plan – Educational Retirement Board (continued)

\$1,651,563 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date of June 30, 2016, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:	
2018	\$ (1,028,389)
2019	(845,093)
2020	(929,857)
2021	(436,399)
Thereafter	-
	\$ (3,239,738)

Actuarial assumptions. The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on actuarial valuation and performed as of June 30, 2015. The liabilities reflect the impact of Senate Bill 115, signed into law March 29, 2013 and new assumptions adopted by the Board of Trustees on June 12, 2015. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by the Board on June 12, 2015 in conjunction with the six year experience study period ending June 30, 2014.
5. For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

STATE OF NEW MEXICO
 New Mexico Junior College
 Notes to the Financial Statements
 June 30, 2017

NOTE 6. Pension Plan – Educational Retirement Board (continued)

The actuarial methods and assumptions used to determine contributions rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. ERB's investment allocation policy was reviewed and amended by the Board of Trustees on August 26, 2016. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following schedule shows the current asset allocation policy adopted August 26, 2016 as well as the prior allocation policy targets.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 6. Pension Plan – Educational Retirement Board (continued)

Comparative Schedule of Target Investment Allocation

<u>Asset Class</u>	<u>Target Allocation</u>	
	<u>After 8/26/2016</u>	<u>Prior to 8/26/2016</u>
Equities		
<i>Domestic Equities</i>		
Large cap equities	16%	18%
Small- mid cap equities	3%	2%
<i>International Equities</i>		
Developed	5%	5%
Emerging markets	9%	10%
Total equities	33%	35%
Fixed Income		
Opportunistic credit	18%	20%
Core bonds	6%	6%
Emerging market debt	2%	2%
Total fixed income	26%	28%
Alternatives		
Real estate - REITS	7%	7%
Real assets	8%	8%
Private equity	13%	11%
Global asset allocation	4%	5%
Risk parity	3%	5%
Other	5%	0%
Total alternatives	40%	36%
Cash	1%	1%
Total	100%	100%

For the years ended June 30, 2016 and 2015, the annual money-weighted rates of return on pension plan investments were for each asset class above 2.68% and 4.06%, respectively.

STATE OF NEW MEXICO
 New Mexico Junior College
 Notes to the Financial Statements
 June 30, 2017

NOTE 6. Pension Plan – Educational Retirement Board (continued)

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2016 and June 30, 2015. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB’s defined contribution plan, 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.

Sensitivity of the College’s proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2016. In particular, the table presents the (employer’s) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1.00% Decrease (6.75%)	Current Discount Rate (7.75%)	1.00% Increase (8.75%)
Proportionate share of the net pension liability	<u>\$ 39,707,314</u>	<u>\$ 29,979,623</u>	<u>\$ 21,908,387</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued audited financial statements as of and for the year ended June 30, 2016 which is publicly available at www.nmerb.org.

Payables to the pension plan. The College remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2017, the College owed the ERB \$130,947 for the contributions withheld in the month of June 2017.

NOTE 7. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. New Mexico Junior College contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents and surviving spouse and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long term care policies.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 7. Post-Employment Benefits – State Retiree Health Care Plan (continued)

Eligible retirees are 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during the period of time made contributions as a participant in the RHCA plan on the person's behalf unless the person retires before the employers' RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal member cover plans 3, 4, or 5; municipal fire member cover plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statutes required each participating employer to contribute 2.50% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.00% of each participating employee's annual salary; and each participating employee was required to contribute 1.00% of their salary. In addition, pursuant to Section 10-7C-15(G), NMSA 1978, at the first session of the legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1, NMSA 1978 and the employer and employee contributions to the Authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The College's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$270,445, \$264,696 and \$250,950, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 8. Group Insurance Program

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. Operating Leases

The College has entered into various operating leases for equipment. The terms of all leases are one year or less. The College expects that in the normal course of business, such leases will continue to be required.

NOTE 10. Risk Management

The College currently is party to various litigation and other claims in the ordinary course of business. The College has property and liability insurance coverage with Philadelphia Insurance Company and workers compensation insurance coverage with New Mexico Mutual. 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 11. Joint Powers Agreements

The College has established a joint powers agreement with Lea County, Hobbs Municipal School District, City of Hobbs, City of Lovington, Eunice Municipal School District, Tatum Municipal School District and Jal Municipal School District for the purpose of enabling the parties involved to benefit from substantial savings in the procurement of similar services, construction or tangible personal property. The agreement became effective November 17, 2003, and any party to the agreement can terminate participation by providing thirty days written notice. Any of the participating agencies may act as the Lead Agency whereby that agency shall contact the remaining participating agencies to determine if they are willing to participate in a bid or proposal for quote to be prepared by the Lead Agency.

The College revised a joint powers agreement on February 19, 2004, to include Eastern New Mexico University as a member of the Lea County Distance Education Consortium, Inc. (Consortium). The group consists of every public school system in Lea County, New Mexico, together with New Mexico Junior College and Eastern New Mexico University. The purpose of the Consortium is to purchase a two-way interactive television network to provide educational services between each of the members. This agreement shall continue as mutually agreeable by all parties.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 12. New Mexico Junior College Foundation (Component Unit)

Nature of Operations

The New Mexico Junior College Foundation (the Foundation) is a New Mexico nonprofit corporation, organized to solicit, receive, hold, invest and transfer funds for the benefit of the College.

Basis of Accounting

The Foundation's financial statements have been prepared on the accrual basis of accounting. The Foundation follows Governmental Accounting Standards Board (GASB) pronouncements. Revenues and expenses are classified for reporting purposes into net position categories according to externally (donor) imposed restrictions. A description of the net position categories follows:

Net Position

Restricted nonexpendable contributions and investments are permanently restricted by the donor. Investment earnings used for distributions are recorded in unrestricted net position. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net position based on the nature of the restrictions.

Unrestricted net position represents resources whose use is not limited or restricted by donors. Unrestricted net position have arisen from exchange transactions and receipt of unrestricted contributions. Restricted net position represent those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. Restricted expendable net position are resources that the Foundation is legally or contractually obligated to spend in accordance with imposed restrictions by third parties, such as donors.

Donor Restricted endowment disbursements of the net appreciation of investments are permitted in accordance with the Uniform Prudent Management of Institutional Funds Act [46-9A-1 to 46-9A-12 NMSA], except where a donor has specified otherwise. The investment committee of the Foundation and College management review the investment earnings designed to support distributions from the Endowment and to protect the purchasing power of the endowment principal. Distributions from the Endowment are made available to the College, which benefits from each individual endowment. The annual spending distribution is computed at the end of the year as a percentage of net interest and dividend earnings, investment fees and net capital change for the year. The Investment Committee of the Foundation and College management sets the annual distribution, which endowment donors must approve.

Tax Status

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been determined to be an organization which is not a private foundation.

Effective October 1, 2009, the Foundation adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2017, the Foundation has no material uncertain tax positions to be accounted for in the financial statements under the new rules. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense and penalties expense, respectively. The Foundation is generally no longer subject to examination by the Internal Revenue Service for years before 2014.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 12. New Mexico Junior College Foundation (Component Unit) (continued)

Intangible Assets

Intangible assets consist of a radio station license that was donated. Licenses are carried at cost, and because they have indefinite useful lives they are not amortized, but tested for impairment when events or circumstances related to the licenses change.

Capital Assets

Equipment for the radio station is recorded at 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, and an estimated useful life of greater than one year. 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 equipment, generally 5 to 7 years for equipment.

Cash and Cash Equivalents

The Foundation maintains cash balances in a local bank and an investment company. These cash balances are insured by the Federal Deposit Insurance Corporation up to the standard maximum deposition insurance amount of \$250,000 for each demand deposit account. As of June 30, 2017, the Foundation's uninsured cash deposits total was \$0.

As of June 30, 2017, there were no balances in excess of insurance coverage.

	Merrill Lynch*	Wells Fargo Bank	Total
Total amount of deposits	\$ 658,570	\$ 139,612	\$ 798,182
Deposit accounts covered by the FDIC coverage	<u>\$ (658,570)</u>	<u>(139,612)</u>	<u>\$ (798,182)</u>
Total uninsured public funds	<u>-</u>	<u>-</u>	<u>-</u>
Collateralized by securities held by the pledging institution or by its trust department or institution or by its trust department or agent other than the Foundation's name	<u>-</u>	<u>-</u>	<u>-</u>
Uninsured and uncollateralized	<u>-</u>	<u>-</u>	<u>-</u>
Collateral requirement (50% of uninsured public funds)	-	-	-
Pledged security	-	-	-
Over collateralization	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*In addition to the regular FDIC coverage of \$250,000 per bank, the deposits at Merrill Lynch also include CDs (and related FDIC Insurance) of \$250,000 spread across five (5) separate financial institutions, all invested as part of the Merrill Lynch account, in order to not exceed FDIC insurance coverage per institution.

STATE OF NEW MEXICO
 New Mexico Junior College
 Notes to the Financial Statements
 June 30, 2017

NOTE 12. New Mexico Junior College Foundation (Component Unit) (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the College's or the Foundation's investment in a single type of security. The College and the Foundation do not have a formal policy to address concentration of credit risk. The following represents the concentration of credit risk regarding the investments of the Foundation at June 30, 2017:

<u>Investment</u>	<u>Market Value</u>	<u>Percent of Foundation's Investment</u>
Equities	\$ 3,809,088	52.1%
Mutual funds	3,479,271	47.6%
Royalty Interest	19,583	0.3%
Total Foundation investments	<u>\$ 7,307,942</u>	<u>100.0%</u>

The following table sets forth by level within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 3,809,088	\$ 3,809,088	\$ -	\$ -
Mutual funds	3,479,271	3,479,271	-	-
Royalty interest	19,583	19,583	-	-
	<u>\$ 7,307,942</u>	<u>\$ 7,307,942</u>	<u>\$ -</u>	<u>\$ -</u>

Receivables

The Foundation considers receivables to be 100% collectible; therefore no allowance has been made for uncollectible amounts. The receivable at June 30, 2017 consists of the following:

Accrued interest	\$ 1,304
Golf tournament fundraising pledges receivable	4,242
Refund from NMJC for overpayment of scholarships	7,813
Royalty income receivable	<u>1,826</u>
Accounts receivable	<u>\$ 15,185</u>

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net position unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. On April 8th, 2015, the Foundation received a donation of radio station equipment. The total net value of donated radio station equipment is \$35,189. Depreciation expense for the year ended June 30, 2017 for this equipment was \$11,730.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 12. New Mexico Junior College Foundation (Component Unit) (continued)

Intangible Asset

On April 8th, 2015 the Foundation also entered into an agreement with a company that donated a license for a FM Broadcast Station in Eunice, New Mexico valued at \$75,000 at the date of donation. A license is carried at cost, and because it has indefinite useful life it is not amortized, but tested for impairment when events or circumstances related to the license changes. No impairments were noted during 2017 as the original cost could be recovered if necessary.

Institutional Support

The Foundation provided the following institutional support to the College during the year ended June 30, 2017:

Scholarships	\$ 190,099
Program assistance	54,178
Administrative support	22,848
Other	13,539
Work-study	26,050
Fundraising expenses	20,298
Awards	<u>4,000</u>
Total institutional support	<u><u>\$ 331,012</u></u>

Related Party

On July 7, 2003, the Foundation formed Lea County Student Housing, LLC (the LLC). The Foundation is the 100% member of the LLC which was formed for the purpose of building and renting dorm space to the College's students. The LLC has not had any activity since its formation.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 13. Commitments

The College has commitments as of June 30, 2017 for the following:

Vendor	Project Description	Amount
University of New Mexico	Evaluation of TAACCCT Grant	\$ 19,803
Cooperative Educational Services	DPS Programming Basic Services and Travel for Allied Health Building	6,122
Cooperative Educational Services	DPS - Allied Health Building Design	548,137
Cooperative Educational Services	DPS Architectural Services for Renovation of Bob Moran Hall	7,071
Cincinnati Museum Center	Present and Display of Traveling Exhibition	36,000
Lyness Construction	Entertainment Technology Renovation at Bob Moran Hall	16,200
National Cowgirl Museum	Exhibition: National Cowgirl Museum & Hall of Fame Rental Fee	3,750
Doportto Construction Company	Strip & Finish Doors and Trim in Administration Building	3,648
Cooperative Educational Services	Donner Plumbing - Dorm Shower Replacement Phase 2	138,276
Desert Rose Plant Farm	Miscellaneous Supplies for Ground Department	3,000
Belnick, Inc.	3400 Boxx Seat with Custom Silk Screen	4,297
Pocket Nurse	Medical Supplies	5,511
Greener Light Source	LED Hi Bay for Batting Cages at Baseball Facility	1,992
BT USA Technology, LLC	Medical Equipment	4,700
All-star Music Empire	Music & Sound Equipment for Entertainment Technology	5,004
Guitar Center Stores, Inc.	Music & Sound Equipment for Entertainment Technology	78,226
Music World	Music & Sound Equipment for Entertainment Technology	9,155
Parson Audio, LLC	Music & Sound Equipment for Entertainment Technology	46,937
Solid State Logic, Inc.	Duality Delta Pro Station 48 Channel Super Analogue Console	228,500
Sweetwater	Software/Hardware Lab Equipment for Entertainment Technology	14,447
RDM Industrial Products, Inc.	Electronic & Physics Lab Equipment for Entertainment Technology	24,557
MCM Electronics, Inc.	Electronic & Physics Lab Equipment for Entertainment Technology	8,504
Ellucian Company, PL	Banner 9 Essentials Plus Services	33,075
Q Systems	Components for Audio Repair at Museum	3,027
Hungry Horse, LLC	Install Electrical Circuits at Museum	3,339
Auld Signs	Cast Aluminum Letters for Bob and Bonnie Moran Hall	8,871
Blackboard Collaborate, Inc.	Datacard IDW Prod SW 6.5 BNLD	11,618
Doportto Construction Company	Lay Top on Stem Wall by Museum	2,646
Doportto Construction Company	Pour Concrete in Equine Building	8,419
I Promo	High Speed 2.0 USB Flash Drive	3,712
		<u>\$ 1,288,544</u>

On September 4, 2015, the City of Hobbs entered into a Memorandum of Understanding (MOU) for the design, construction, operation, and joint use of a Center for Recreational Excellence (CORE) with the New Mexico Junior College (NMJC), the Board of Education of Hobbs Municipal School District (District), and Lea County (County). The CORE is a project the College engaged in to help the Hobbs community and surrounding areas and to help with recruiting and for classes. The CORE will replace outdated facilities currently operated by the College, the City and the District. The total estimated cost of the design and construction of the CORE is \$61,000,000. NMJC committed \$5,000,000 for the proceeds of the general obligation bonds approved by the voters in New Mexico in November of 2015, towards the cost to design and construction of CORE. An additional \$5,000,000 was committed towards the cost of design and construction of the CORE from mill levy funds. NMJC will also contribute financial resources for ten years to the ongoing maintenance and repair of the CORE.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 13. Commitments (continued)

Once the CORE is completed, the parties will share in the cost of utilities and maintenance of the HWLC and the use of the CORE will be shared by the parties in accordance with the MOU. For instance, students of the College will be allowed to use the swimming pool at CORE. The costs of the programs and activities that the City of Hobbs, NMJC, and the District conduct at the CORE will be paid by the sponsoring entity and will not be shared.

Initially, the annual costs of the utilities, maintenance, repairs and replacements for the CORE will be \$1,300,000. Facility costs include the direct costs of utilities (electricity, gas, water, sewer and telephone), janitorial service, maintenance and repairs, and will be funded by the various parties. NMJC will initially contribute \$300,000 annually towards facility costs.

Commencing on July 1, 2019, and on the first day of July thereafter, NMJC, the Districts' and the City of Hobbs' facility contribution shall be increased by the percentage increase in the Consumer Price Index (CPI) from the prior July 1st, but in no event greater than five (5%) percent in any one year. The City of Hobbs is the fiscal agent for the CORE project.

As of June 30, 2017, the College has recorded \$9,955,539 for the CORE in its construction in progress. The College expects to contribute another \$44,461 during the fiscal year ended June 30, 2018, for construction of the CORE.

NOTE 14. 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 180 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 vacations as of June 30, 2017 as follows:

Accrued vacation – beginning of year	\$ 307,701
Additions	169,816
Deletions	<u>(211,080)</u>
Accrued vacation – end of year	<u><u>\$ 266,437</u></u>

The College estimates that \$211,080 will be due within one year.

NOTE 15. 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.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to the Financial Statements
June 30, 2017

NOTE 16. Subsequent Events

The date to which events occurring after June 30, 2017, have been evaluated for possible adjustment to the financial statements or disclosures is October 24, 2017. No other events occurring after June 30, 2017 necessitate adjustment to the financial statements or disclosure in the notes.

NOTE 17. Subsequent Pronouncements

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The College is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The College is still evaluating how this pronouncement will affect the financial

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

In January 2017, 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. The College is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85 *Omnibus 2017* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. 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 College is still evaluating how this pronouncement will affect the financial statements.

In May 2017, 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, 2017. Earlier application is encouraged. The College has no debt but if they take debt out in the future this could apply.

In June 2017, 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.

NOTE 18. 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. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

STATE OF NEW MEXICO
 New Mexico Junior College
 Notes to the Financial Statements
 June 30, 2017

NOTE 19. Legislative Grants

The College had the following legislative grants funded by Severance Tax Bonds (STB) and General Obligation Bonds (GOB) as of June 30, 2017:

Project	Agency	Grant #	Effective Date	Reversion Date
NMJC Allied Health Building	Higher Education Department	GOB 5120	8/1/2017	6/30/2021
NMJC Allied Health Building	Higher Education Department	STB 15-0961	9/8/2015	6/30/2019
GOB Library (NM Academic Libraries)	Higher Education Department	GOB A5112	8/1/2017	6/30/2021

Project	Expenditures to			
Net Amount	Date	Reverted	Remaining	
NMJC Allied Health Building	\$ 3,960,000	\$ -	\$ -	\$ 3,960,000
NMJC Allied Health Building	697,950	140,198	-	557,752
GOB Library (NM Academic Libraries)	28,610	-	-	28,610
	<u>\$ 4,686,560</u>	<u>\$ 140,198</u>	<u>\$ -</u>	<u>\$ 4,546,362</u>

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 New Mexico Junior College
 Schedule of the College's Proportionate Share of the Net Pension Liability
 Educational Retirement Board (ERB) Plan
 Last 10 Fiscal Years*

Schedule I

	2017 Measurement Date (As of and for the Year Ended <u>June 30, 2016</u>)	2016 Measurement Date (As of and for the Year Ended <u>June 30, 2015</u>)	2015 Measurement Date (As of and for the Year Ended <u>June 30, 2014</u>)
Proportion of the net pension liability (asset)	0.41659%	0.41028%	0.39594%
Proportionate share of the net pension liability (asset)	\$ 29,979,623	\$ 26,574,937	\$ 22,591,262
Covered employee payroll	<u>13,745,513</u>	<u>13,754,379</u>	<u>13,510,416</u>
Proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	<u>218.10%</u>	<u>193.21%</u>	<u>167.21%</u>
Plan fiduciary net position as a percentage of the total pension liability	61.58%	63.97%	66.54%

* The amounts presented were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for ten (10) years. However, until a full ten 10-year trend is compiled, the College will present information for those years for which information is available.

See independent auditors' report.
 See notes to required supplementary information.

STATE OF NEW MEXICO
 New Mexico Junior College
 Schedule of the College's Contributions
 Educational Retirement Board (ERB) Plan
 Last 10 Fiscal Years*

Schedule II

	<u>As of and for the Year Ended June 30, 2017</u>	<u>As of and for the Year Ended June 30, 2016</u>	<u>As of and for the Year Ended June 30, 2015</u>
Contractually required contribution	\$ 1,651,563	\$ 1,654,037	\$ 1,567,745
Contributions in relation to the contractually required contribution	<u>1,651,563</u>	<u>1,654,037</u>	<u>1,567,745</u>
Contribution deficiency (excess)	-	-	-
Covered employee payroll	<u>13,745,513</u>	<u>13,754,379</u>	<u>13,510,416</u>
Contributions as a percentage of covered employee payroll	12.02%	12.03%	11.60%

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

See independent auditors' report.
 See notes to required supplementary information.

STATE OF NEW MEXICO
New Mexico Junior College
Notes to Required Supplementary Information
June 30, 2017

Changes of Benefit Terms

The COLA and retirement eligibility benefits changes in recent years are described in *Benefits Provided* subsection of the financial statement note disclosure *General Information on the Pension Plan*.

Changes of Assumptions

The Board of Trustees approved the following economic and demographic assumptions used in the fiscal year 2015 actuarial calculation of the total pension liability on June 12, 2015:

- 1) Lower wage inflation from 4.25% to 3.75%
- 2) Update the mortality tables to incorporate generational improvements
- 3) Update demographic assumptions to use currently published tables, which may result in minor calculation changes
- 4) Maintain in current 3.00% inflation assumption
- 5) Retain net 4.75% real return assumption
- 6) Retain 7.75% nominal return assumption
- 7) No change to COLA assumption of 2.00% per year
- 8) Maintain current payroll growth assumption of 3.50%
- 9) Maintain experience-based rates for members who joined NMERB by June 30, 2010
- 10) Remove population growth assumption for projections
- 11) Lower population growth from .50% to zero (no impact on valuation results)

Also see the *Actuarial Assumptions* subsection of the financial statement note disclosure *General Information on the Pension Plan*. Assumption changes increased the Education Retirement Board's total pension liability by \$299,084,856 for fiscal year ending June 30, 2015 as a result of the changes of assumptions described above.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
New Mexico Junior College
Unrestricted and Restricted - All Operations
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

Statement A-1

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	(Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ 15,597,852	\$ 19,336,008	\$ 17,007,655	\$ (2,328,353)
<i>Unrestricted and restricted revenues:</i>				
State general fund appropriations	10,469,700	11,371,953	11,403,427	31,474
State grants and contracts	251,690	242,902	574,189	331,287
Federal revenue sources	5,657,810	5,783,280	4,767,890	(1,015,390)
Tuition and fees	3,667,000	3,700,960	3,928,828	227,868
Local funding	14,287,621	18,203,000	21,000,087	2,797,087
Auxiliary enterprises	2,586,000	2,802,611	2,879,840	77,229
Other	469,154	493,169	1,271,214	778,045
Private grants	-	-	41,655	41,655
<i>Total unrestricted and restricted revenues</i>	<u>37,388,975</u>	<u>42,597,875</u>	<u>45,867,130</u>	<u>3,269,255</u>
<i>Unrestricted and restricted expenditures:</i>				
Instruction	10,507,703	10,939,828	9,959,802	980,026
Academic support	2,541,535	2,787,115	2,675,989	111,126
Student services	3,462,291	3,704,995	3,059,416	645,579
Institutional support	3,847,809	5,384,221	4,715,384	668,837
Operation and maintenance of plant	3,653,853	3,907,782	3,752,980	154,802
Student social and cultural activities	173,000	156,765	156,037	728
Auxiliary services	2,038,349	2,792,782	2,529,276	263,506
Intercollegiate athletics	1,191,478	1,537,586	1,553,425	(15,839)
Internal service	85,520	49,232	133,088	(83,856)
Renewal and replacement	16,749,141	15,247,259	11,700,774	3,546,485
Student aid, grants and stipends	4,657,910	4,856,377	4,633,618	222,759
Private grants	-	-	41,655	(41,655)
<i>Total unrestricted and restricted expenditures</i>	<u>48,908,589</u>	<u>51,363,942</u>	<u>44,911,444</u>	<u>6,452,498</u>
<i>Net transfers</i>	-	(325,000)	460,184	(135,184)
<i>Change in fund balance (budgetary basis)</i>	<u>(11,519,614)</u>	<u>(9,091,067)</u>	<u>1,415,870</u>	<u>9,586,569</u>
<i>Ending fund balance</i>	<u>\$ 4,078,238</u>	<u>\$ 10,244,941</u>	<u>\$ 18,423,525</u>	<u>\$ 7,258,216</u>
<i>Change in net position per statement of revenues, expenses and changes in net position</i>			\$ 5,471,379	
Capital outlay expenditures capitalized			(10,749,918)	
Net book value of assets disposed of			25,499	
Net pension change			3,404,686	
Net transfers			460,184	
Deferred outflows change			(1,360,063)	
Depreciation expense			4,164,103	
<i>Financial statements change in net position reconciled to budgetary basis</i>			<u>\$ 1,415,870</u>	

See independent auditors' report.

STATE OF NEW MEXICO
 New Mexico Junior College
 Unrestricted - Non-Instruction and General
 Statements of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2017

Statement A-2

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Basis)</u>	<u>(Unfavorable)</u> <u>Final to Actual</u>
<i>Beginning fund balance</i>	\$ 14,433,784	\$ 15,396,415	\$ 13,068,062	\$ (2,328,353)
<i>Unrestricted revenues:</i>				
Internal service dept	39,170	39,170	12,006	(27,164)
Auxiliary enterprises	2,586,000	2,802,611	2,879,840	77,229
Athletics	477,300	460,398	461,040	642
STB/GOB Drawdowns	4,010,000	5,228,275	5,182,871	(45,404)
Other	-	-	281,076	281,076
<i>Total unrestricted revenues</i>	<u>7,112,470</u>	<u>8,530,454</u>	<u>8,816,833</u>	<u>286,379</u>
<i>Unrestricted expenditures:</i>				
Internal services	85,520	49,232	133,088	(83,856)
Student aid, grants and stipends	668,551	864,953	686,390	178,563
Auxiliary services	2,038,349	2,792,782	2,529,276	263,506
Intercollegiate athletics	1,191,478	1,537,586	1,553,425	(15,839)
Renewal and replacement	16,749,141	15,247,259	11,700,774	3,546,485
<i>Total unrestricted expenditures</i>	<u>20,733,039</u>	<u>20,491,812</u>	<u>16,602,953</u>	<u>3,888,859</u>
<i>Net transfers</i>	<u>2,509,080</u>	<u>5,819,160</u>	<u>9,620,308</u>	<u>3,801,148</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(11,111,489)</u>	<u>(6,142,198)</u>	<u>1,834,188</u>	<u>7,976,386</u>
<i>Ending fund balance</i>	<u>\$ 3,322,295</u>	<u>\$ 9,254,217</u>	<u>\$ 14,902,250</u>	<u>\$ 5,648,033</u>

See independent auditors' report.

STATE OF NEW MEXICO
 New Mexico Junior College
 Restricted - Non-Instruction and General
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2017

Statement A-3

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ -	\$ -	\$ -	\$ -
<i>Restricted revenues:</i>				
Public service	173,000	156,765	156,037	(728)
Federal student aid	3,989,359	3,991,424	3,624,311	(367,113)
State student aid	-	-	325,917	325,917
Private grants	-	-	41,655	41,655
<i>Total restricted revenues</i>	<u>4,162,359</u>	<u>4,148,189</u>	<u>4,147,920</u>	<u>(269)</u>
<i>Restricted expenditures:</i>				
Public service	173,000	156,765	156,037	728
Federal student aid	3,989,359	3,991,424	3,620,541	370,883
State student aid	-	-	326,687	(326,687)
Private grants	-	-	41,655	(41,655)
<i>Total restricted expenditures</i>	<u>4,162,359</u>	<u>4,148,189</u>	<u>4,144,920</u>	<u>3,269</u>
<i>Net transfers</i>	<u>-</u>	<u>-</u>	<u>(3,000)</u>	<u>(3,000)</u>
<i>Change in fund balance (budgetary basis)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Ending fund balance</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

STATE OF NEW MEXICO
 New Mexico Junior College
 Unrestricted - Instruction and General
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2017

Statement A-4

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
<i>Beginning fund balance</i>	\$ 1,164,068	\$ 3,939,593	\$ 3,939,593	\$ -
<i>Unrestricted revenues:</i>				
Tuition and fees	3,667,000	3,700,960	3,928,828	227,868
State government appropriations	5,982,400	5,683,280	5,759,516	76,236
Local government appropriations	14,287,621	18,203,000	21,000,087	2,797,087
Federal grants and contracts	116,000	116,000	93,560	(22,440)
Other	256,984	297,234	822,095	524,861
<i>Total unrestricted revenues</i>	<u>24,310,005</u>	<u>28,000,474</u>	<u>31,604,086</u>	<u>3,603,612</u>
<i>Unrestricted expenditures:</i>				
Instruction	10,189,730	10,626,545	9,711,531	915,014
Academic support	2,520,941	2,766,521	2,675,989	90,532
Student services	1,996,717	2,120,114	2,009,396	110,718
Institutional support	3,847,809	5,384,221	4,715,384	668,837
Operation and maintenance of plant	3,653,853	3,907,782	3,752,980	154,802
<i>Total unrestricted expenditures</i>	<u>22,209,050</u>	<u>24,805,183</u>	<u>22,865,280</u>	<u>1,939,903</u>
<i>Net transfers</i>	<u>(2,509,080)</u>	<u>(6,144,160)</u>	<u>(9,157,124)</u>	<u>(3,012,964)</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(408,125)</u>	<u>(2,948,869)</u>	<u>(418,318)</u>	<u>2,530,551</u>
<i>Ending fund balance</i>	<u>\$ 755,943</u>	<u>\$ 990,724</u>	<u>\$ 3,521,275</u>	<u>\$ 2,530,551</u>

See independent auditors' report.

STATE OF NEW MEXICO
 New Mexico Junior College
 Restricted - Instruction and General
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2017

Statement A-5

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ -	\$ -	\$ -	\$ -
<i>Restricted revenues:</i>				
Federal government contracts/grants	1,552,451	1,675,856	1,050,019	(625,837)
State government contracts/grants	251,690	242,902	248,272	5,370
<i>Total restricted revenues</i>	<u>1,804,141</u>	<u>1,918,758</u>	<u>1,298,291</u>	<u>(620,467)</u>
<i>Restricted expenditures:</i>				
Instruction	317,973	313,283	248,271	65,012
Academic support	20,594	20,594	-	20,594
Student services	1,453,522	1,572,829	1,050,020	522,809
Institutional support	12,052	12,052	-	12,052
<i>Total restricted expenditures</i>	<u>1,804,141</u>	<u>1,918,758</u>	<u>1,298,291</u>	<u>620,467</u>
<i>Net transfers</i>	-	-	-	-
<i>Change in fund balance (budgetary basis)</i>	-	-	-	-
<i>Ending fund balance</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
 New Mexico Junior College
 Schedule of Deposit and Investment Accounts
 June 30, 2017

<u>Account Name</u>	<u>Type</u>	<u>Lea County State Bank</u>	<u>New MexiGROW LGIP</u>	<u>Wells Fargo Bank</u>
NMJC	Checking	\$ -	\$ -	\$ -
Instructional and general	Checking	-	-	2,000,712
Instructional and general	Overnight Repurchase	-	-	4,647,308
NMJC money market	Deposit	32,606	-	-
Pell federal account	Checking	187,284	-	-
Payroll dep account	Checking	119,159	-	-
Agency account	Time Deposit	-	-	356,330
NMJC	Short-Term Investment	-	8,593,127	-
NMJC Foundation	Mutual Funds	-	-	-
NMJC Foundation	Equities	-	-	-
NMJC Foundation	Royalty Interest	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	CD	-	-	-
NMJC Foundation	Checking	-	-	-
NMJC Foundation	Savings	-	-	-
Amounts on deposit		339,049	8,593,127	7,004,350
Outstanding items		(23,661)	-	(357,401)
		<u>\$ 315,388</u>	<u>\$ 8,593,127</u>	<u>\$ 6,646,949</u>

See independent auditors' report.

Western Commerce Bank	Total	Component Unit		
		Merrill Lynch	Wells Fargo Bank	Total
\$ 25,099	\$ 25,099	\$ -	\$ -	\$ -
-	2,000,712	-	-	-
-	4,647,308	-	-	-
-	32,606	-	-	-
-	187,284	-	-	-
-	119,159	-	-	-
-	356,330	-	-	-
-	8,593,127	-	-	-
-	-	3,479,271	-	3,479,271
-	-	3,809,088	-	3,809,088
-	-	19,583	-	19,583
-	-	52,931	-	52,931
-	-	38,627	-	38,627
-	-	37,057	-	37,057
-	-	14,428	-	14,428
-	-	4,350	-	4,350
-	-	511,177	-	511,177
-	-	-	89,029	89,029
-	-	-	50,583	50,583
25,099	15,961,625	7,966,512	139,612	8,106,124
-	(381,062)	-	(12,073)	(12,073)
<u>\$ 25,099</u>	<u>15,580,563</u>	<u>\$ 7,966,512</u>	<u>\$ 127,539</u>	<u>8,094,051</u>
Petty cash	6,056			30
	<u>\$ 15,586,619</u>			<u>\$ 8,094,081</u>
Reconciliation to the Financial Statements:				
Cash and cash equivalents	\$ 6,643,331			\$ 786,139
Short-term investment	8,593,127			7,307,942
	<u>15,236,458</u>			<u>8,094,081</u>
Statement of Fiduciary Assets & Liabilities:				
Cash & cash equivalents	<u>350,161</u>			<u>-</u>
Total deposits and investments	<u>\$ 15,586,619</u>			<u>\$ 8,094,081</u>

See independent auditors' report.

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STATE OF NEW MEXICO
 New Mexico Junior College
 Schedule of Collateral Pledged by Depository
 June 30, 2017

Schedule IV

<u>Depository</u>	<u>Description of Pledged Collateral</u>	<u>Fair Market Value June 30, 2017</u>	<u>Name and Location of Safekeeper</u>
Lea County State Bank			
	Lea County, NM 2%, Due 10/1/2019	\$ 431,056	The Independent BankersBank Farmers Branch, TX
	Gadsden, NM ISD 2%, Due 8/15/2018	984,672	The Independent BankersBank Farmers Branch, TX
	Las Cruces, NM SD 4%, due 8/1/2027	<u>503,501</u>	The Independent BankersBank Farmers Branch, TX
	<i>Total Lea County State Bank</i>	<u>1,919,229</u>	
Wells Fargo Bank			
	FNMA FNMS 3.0% CUSIP #3138APNE4 due 11/1/2026	1,013,106	Bank of New York Mellon New York, NY
	FNMA FNMS 2.5% CUSIP #3138WHVS8 due 8/1/2031	<u>181,452</u>	Bank of New York Mellon New York, NY
	<i>Total Wells Fargo Bank</i>	<u>1,194,558</u>	
Wells Fargo Bank Repurchase			
	FHG-3 G08641 3.5% CUSIP #3128MJWB2 due 5/1/2045	<u>4,740,254</u>	Bank of New York Mellon New York, NY
	<i>Total Wells Fargo Bank Repurchase</i>	<u>4,740,254</u>	
		<u>\$ 7,854,041</u>	

See accompanying independent auditors' report.

STATE OF NEW MEXICO
New Mexico Junior College
Agency Funds
Schedule of Changes in Fiduciary Assets and Liabilities
Year Ended June 30, 2017

	<u>June 30, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2017</u>
Athletic Summer School	\$ 25	\$ -	\$ -	\$ 25
Baseball Booster Club	6,336	14,456	13,666	7,126
Cheerleaders	1,391	5,367	6,316	442
Athletic Training	326	179	58	447
Golf Booster Club	26,504	21,042	19,342	28,204
Men's Basketball	2,116	19,997	16,644	5,469
Women's Cross Country	575	605	205	976
Rodeo Club	21,141	14,668	9,994	25,816
Women's Basketball	13,752	5,190	4,407	14,534
AMP Club	180	-	-	180
ASSET Student Recognition	1,507	5,500	86	6,921
Backpacking & Camping	271	-	-	271
Burke Poetry Contest	444	-	-	444
Campus Ambassadors	1,206	-	-	1,206
College Democrats	316	610	624	301
Career Connections/Communications	299	-	-	299
Cosmetology Students	12,754	26,808	33,552	6,009
College Republicans	45	904	904	45
NMJC Foundation	-	11,140	11,140	-
Drama Club	7,249	-	-	7,249
Equine Activities	4,300	-	-	4,300
Emergency Services Law Camp	1,762	-	-	1,762
Faculty Senate	824	5,364	5,418	770
Fallen Officers Memorial Fund	187	-	-	187
FFA	3,406	-	-	3,406
Fellowship of Christian Athletes	1,035	294	787	541
FCA Special Events	108	-	-	108
Ford ASSET Helping Hand	400	-	-	400
Geology Club	605	-	-	605
Healthy Active Lifestyle Challenge	94	-	-	94
GM ASEP Student Recognition	550	-	-	550
Law Enforcement Guest Speakers	369	58	115	311
Moran Lecture Series	5,657	6,078	6,063	5,672
NJCAA Division I Golf Association	43	-	-	43
NMJC Band Club	4,920	2,803	1,463	6,260
NMJC Sensations	4,623	-	-	4,623
NMJC Social Committee	10,690	2,865	5,551	8,003
Nature Trail Sculptures	6,385	-	-	6,385
NM Education Service Center	26,115	-	-	26,115
Phi Beta Lambda-NMJC	239	-	-	239
MU Alpha Theta	3,051	35,825	38,876	-
Phi Theta Kappa	864	7,945	6,957	1,852
Library Contest	100	162	162	100
Sub-Total	<u>\$ 172,761</u>	<u>\$ 187,859</u>	<u>\$ 182,331</u>	<u>\$ 178,289</u>

See independent auditors' report.

	<u>June 30, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2017</u>
Sub-Total	\$ 172,761	\$ 187,859	\$ 182,331	\$ 178,289
Rope Climbing and Rappelling Club	505	-	-	505
Short Go Bible Study	450	-	-	450
Sigma Kappa Delta	100	-	-	100
Student Nurses Association	3	-	-	3
Support and Maintenance Council	3,509	5,602	5,412	3,700
Thunderbird Booster Club	2,895	17,121	19,845	171
Athletic Department	640	854	1,435	60
Talent Search	10	-	-	10
NMJC Skills USA-High School	269	12,202	9,949	2,522
Prepaid Tuition Agreement	25,941	1,236	2,573	24,603
SBDC Program Services	32,692	11,902	12,284	32,310
Student Support Services-SSS	257	153	307	104
Suicide Awareness Prevention Event	207	-	-	207
NMJC Research Foundation	7,928	-	-	7,928
Upward Bound	10,995	9,611	11,843	8,763
Western Heritage Donations	24,026	9,669	1,514	32,181
Western Heritage Museum Memorial	3,771	355	1,630	2,496
Western Heritage Archaeological	318	-	318	-
Western Heritage Museum Membership	23,395	26,171	16,127	33,439
WHM Special Events	14,012	32,472	43,102	3,382
WHM Centennial	8,623	-	600	8,023
WHM Archaeological Memorial	552	-	552	-
Western Heritage Horticultural	7,171	12,159	10,220	9,110
WHM Publications Endowment	93	-	93	-
WHM Mammoth Fund Raiser	1,300	-	692	608
WhM Discretionary Fund	58	5,394	4,257	1,196
WHM Titanic Exhibit	73,772	115,006	188,778	-
Total agency fund cash	<u>416,254</u>	<u>447,767</u>	<u>513,861</u>	<u>350,161</u>
Accounts Payable	<u>(16,357)</u>	<u>(12,470)</u>	<u>16,357</u>	<u>(12,470)</u>
Due to student organizations	<u>\$ 399,897</u>	<u>\$ 435,297</u>	<u>\$ 530,218</u>	<u>\$ 337,691</u>

See independent auditors' report.

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COMPLIANCE SECTION



**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

Timothy Keller
New Mexico State Auditor
U.S. Office of Management and Budget and
New Mexico Junior College Board
New Mexico Junior College

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the fiduciary fund of the New Mexico Junior College (the "College") as of and for the year ended June 30, 2017, 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 24, 2017.

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.

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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as FS 2016-001, that we consider to be a significant deficiency.

Compliance and Other Matters

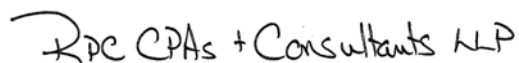
As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

College's Responses to Finding

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

Purpose of this Report

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



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
October 24, 2017

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FEDERAL FINANCIAL ASSISTANCE



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

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
U.S. Office of Management and Budget and
New Mexico Junior College Board
New Mexico Junior College

Report on Compliance for Each Major Federal Program

We have audited New Mexico Junior College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2017. 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 statutes, regulations, and the terms and conditions of its federal awards applicable 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 direct and material effect on each of its major federal programs for the year ended June 30, 2017.

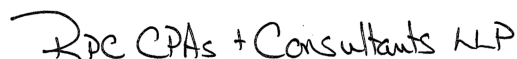
Report on Internal Control Over Compliance

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

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

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

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



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
October 24, 2017

STATE OF NEW MEXICO
 New Mexico Junior College
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Pass through Number</u>	<u>Federal C.F.D.A. Number</u>	<u>Expenditures</u>	<u>Funds Provided to Subrecipients</u>	<u>Noncash Assistance</u>
US Department of Education					
Direct programs:					
Student financial assistance cluster: *					
Federal Pell Grant Program	(1)	42310	84.063	\$ 2,704,343	\$ -
Federal SEOG Program	(1)	42325	84.007	33,121	-
Federal Work Study Program	(1)	42511	84.033	32,837	-
TRIO Cluster:					
TRIO-Student Support Services	(2)	41131	84.042	280,024	-
TRIO-Upward Bound	(2)	41133	84.047	230,934	-
US Nuclear Regulatory Commission					
US NRC Scholarships		41142	77.006	41,287	-
US Department of Labor Employment & Training Administration					
TAACCCT Grant		41151	17.282	497,774	-
Passed through New Mexico					
Public Education Department:					
Adult Basic Education Federal		41310	84.002	93,694	-
Total US Department of Education				<u>3,914,014</u>	<u>-</u>
US Small Business Administration					
Passed through New Mexico					
Public Education Department:					
Small Business Development Center		41220	59.037	20,689	-
<i>Total Expenditures of Federal Awards</i>				<u>\$ 3,934,703</u>	<u>\$ -</u>

* Tested as major program

() Denotes cluster

Federal Direct loans advanced to students in fiscal year 2017 in the amount of \$850,240 were not included on this schedule.

See independent auditors' report.
 See notes to the schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of New Mexico Junior College ("the College") and is presented on the accrual basis of accounting, which is the same basis as was used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Loans

The College did not expend federal awards related to loan guarantees during the year. Federal Direct Loans advanced to students in fiscal year 2017 totaled \$850,240.

10% de minimus Indirect Cost Rate

The College did not elect to use the allowed 10% indirect cost rate.

Federally Funded Insurance

The College has no federally funded insurance.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 3,934,703
Total expenses funded by other sources	<u>35,307,887</u>
<i>Total expenses per statement of revenues, expenses, and changes in net position</i>	<u><u>\$ 39,242,590</u></u>

STATE OF NEW MEXICO
 New Mexico Junior College
 Schedule of Findings and Questioned Costs
 June 30, 2017

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None Noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements? | None noted |

Federal Awards:

- | | |
|---|------------|
| 1. Type of auditors' report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | None Noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | None Noted |

4. Identification of major programs:

CFDA Numbers

Federal Program

84.063
 84.007
 84.033
 84.268

Student Financial Assistance Cluster
 Federal PELL Grant program
 Federal SEOG program
 Federal Work Study program
 Federal Direct Loans

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | Yes |

B. FINDINGS—FINANCIAL STATEMENT AUDIT

FS 2016-001 Detailed Inventory Listing Not Provided - Significant Deficiency (Modified and Repeated)

Condition: During our inventory observation testwork on June 30, 2017, we did not receive an accurate detailed inventory listing as of June 30, 2017 for the bookstore to tie out test counts. There were mistakes in the listing such as inflated prices for scrubs, which resulted in an inventory balance on the inventory listing that was \$960,363 higher than it should have been.

Criteria: Sections 6-5-1 through 6-5-6 NMSA, 1978 require internal accounting controls designed to prevent accounting errors and violations of state and federal laws and rules related to financial matters.

Effect: Without proper inventory controls, the College bookstore cannot verify what inventory they have on hand.

Cause: The College bookstore's inventory system would not allow bookstore employees to print an accurate detailed inventory listing as of June 30, 2017 nor would it allow them to make corrections to the listing after the errors were discovered.

Auditors' Recommendation: The College bookstore should have an inventory system that allows them to print daily and monthly reports. The employees at the bookstore should audit this report monthly to ensure its accuracy and update it as needed.

Views of Responsible Officials and Planned Corrective Actions: Management agrees that review by College bookstore employees of daily and monthly College bookstore financial reports is important to the administration of the College bookstore. Management also understands that without proper inventory controls, the College bookstore cannot verify what inventory is on-hand. The Director of Bookstore Services and the Assistant Director of Bookstore Services will work together to review detailed inventory reports to ensure that the quantities, cost, and retail values reported are accurate. The detailed inventory reports along with other essential financial reports will be reviewed monthly to ensure its accuracy and updated as needed. An MBS consultant (the College bookstore's software provider) will be present when the College bookstore conducts their end-of-year inventory in June 2018.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

STATE OF NEW MEXICO
New Mexico Junior College
Schedule of Findings and Questioned Costs
June 30, 2017

D. NEW MEXICO STATE AUDIT RULE SECTION 12-6-5, NMSA 1978 FINDINGS

None noted.

E. PRIOR YEAR FINDINGS

FS 2016-001: Detailed Inventory Listing Not Provided
Modified and Repeated.

NM 2016-001: TRIO Cluster – Performance Reporting
Resolved and not repeated.

STATE OF NEW MEXICO
New Mexico Junior College
Other Disclosures
June 30, 2017

FINANCIAL STATEMENT PREPARATION

The financial statements were prepared from the original books and records and with the assistance of the management of New Mexico Junior College as of June 30, 2017 by RPC CPAs + Consultants, LLP. The responsibility for these financial statements remains with the College.

EXIT CONFERENCE

The contents of this report and its schedules related to the component unit were discussed on October 26, 2017. The following persons were in attendance:

Foundation Officials

Dan Hardin, Foundation Treasurer
Tina Kunko, Foundation Accountant/Controller

College Officials

Pat Chappelle, Board Chairman
Dr. Kelvin Sharp, President
Dan Hardin, Vice-President for Finance
Josh Morgan, Accountant/Comptroller

RPC CPAs + Consultants, LLP

Cindy Bryan, Partner
Paul Garcia, Supervisor In-Charge

NEW MEXICO JUNIOR COLLEGE

Vice President for Finance

To: **New Mexico Junior College Board Members**
From: Dan Hardin
Date: January 12, 2018
RE: Expenditure and Revenue Reports for December 2017

December is month six or 50% of the budget for the 2017/2018 fiscal year. The expenditure report represents expenditure totals that include funds expended and encumbered. The total year to date funds expended and/or encumbered through the month of December is \$19,508,437.00.

The total current unrestricted fund expenditures through December are \$13,965,979.00, which is 52% of the projected budget. Instruction and General is running as normal for this time of year. In other Current Unrestricted Funds, Student Aid, Auxiliary Enterprises, and Athletics have higher percentage of expenditures due to the expenses for the start of each semester. Internal Services which consists of the Computer Services, and the Document Center receive monthly credits from Instruction & General to cover the operating costs. Each department has large dollar maintenance agreements that are expensed at the beginning of each fiscal year. As you can see the total expenses is higher than the budget, but over the course of the fiscal year the credits will cover the expenditures. Over all, the departments are expending as normal for December.

In the Restricted Funds the expenditures in the Grant area is lower than this time last year. This is due to the TAACCCT Grant and Upward Bound coming to the end of their Grant life. We continue to monitor the expenditures in the Grants and request the drawdown from the state and federal agencies. The year-to-date Restricted Student Aid is slightly higher as compared to December 2016. Total amount of restricted funds expended through December of 2017 is \$2,738,138.00.

Total Plant funds expended includes expenditures for Technology Upgrade, Entertainment Technology, Campus Construction, Dorm/Apartment Refurbishing, and the Allied Health construction project.

Total expenditures and or encumbrances through December 2017 were \$19,508,437.00 or 40% of the budget.

Total Current Unrestricted revenue received in December 2017 was \$5,405,258.00, with the year-to-date total of 18,328,197.00. This mostly consists of the tuition and fees, the monthly allocation from the state, the Oil and Gas Income, Oil and Gas Equipment tax income, and property tax revenue. The Tuition and Fees collected in December was \$468,998.00 as tuition and fees were collected for the spring semester. This time last year the State was cutting our budget by 5%, fortunately there are not cuts projected for this year. Oil and Gas mill levy for the month of December was \$965,644.00 and the equipment tax revenue for December was \$450,313.00. The property tax revenue for December was \$2,261,668.00, looking at the past trends in property tax payout, the College should receive additional property tax revenue in January and then again in June. In FY 17 the total for mill levy property tax was \$9,633,806.00.

Restricted funds had some drawdown revenue in December. Total restricted fund revenue for the year is \$2,566,593.00. There will be a large drawdown in January or February for restricted student aid.

In Plant Funds, the College drew down \$271,125 from STB funds for the Allied Health construction project. LGIP interest income for December was \$7,831.

Total revenue for the month of December 2017 is \$5,405,258.00, with year-to-date revenue of \$18,328,197.00 or 46% of projected budget.

The Oil and Gas revenue has been increasing for the past three months. The total Oil and Gas and Oil and Gas Equipment Tax revenue received through December of 2017 including the accrual of \$465,000 for each of the three months of October, November and December is \$4,502,344.00.

The investment report shows an ending balance in LGIP funds of \$8,593,127.00, with encumbered funds of \$11,487,593.70. In January, the College will move \$3,000,000.00 from the LGIP fund into CDARs with Lea County State Bank.

This concludes the Financial Report for December 2017.

NEW MEXICO JUNIOR COLLEGE

Expenditure Report

December 2017

50% of Year Completed

Fund	2016-17			2017-18			
	Final Budget	Year-to-Date Expended or Encumbered	Percentage of Budget Expended	Budget	Current Expended or Encumbered	Expended or Encumbered	Percentage of Budget Expended
CURRENT UNRESTRICTED FUND							
Instruction and General:							
Instruction	10,189,730	4,768,199	47%	10,058,717	993,337	4,468,200	44%
Academic Support	2,520,941	1,413,830	56%	2,501,303	225,399	1,343,243	54%
Student Services	1,996,717	1,026,237	51%	1,990,627	177,684	958,736	48%
Institutional Support	3,847,809	2,498,132	65%	3,888,147	316,705	1,890,487	49%
Operation & Maintenance of Plant	3,653,853	1,785,991	49%	3,652,603	326,159	1,771,098	48%
Subtotal - Instruction & General	22,209,050	11,492,389	52%	22,091,397	2,039,284	10,431,764	47%
Research	0		0%	850,000	72,724	501,605	59%
Public Service	0		0%	50,000	3,432	17,237	34%
Internal Service Departments	85,520	159,468	186%	87,288	3,446	195,445	224%
Student Aid	668,551	494,053	74%	668,551	52,099	341,267	51%
Auxiliary Enterprises	2,038,349	1,818,167	89%	2,066,294	362,730	1,686,726	82%
Athletics	1,191,478	792,797	67%	1,270,979	100,935	791,935	62%
Total Current Unrestricted Fund	26,192,948	14,756,874	56%	27,084,509	2,634,650	13,965,979	52%
CURRENT RESTRICTED FUND							
Grants	1,977,141	695,482	35%	1,977,141	78,914	497,351	25%
Student Aid	3,989,359	2,145,232	54%	3,989,359		2,240,787	56%
Total Current Restricted Fund	5,966,500	2,840,714	48%	5,966,500	78,914	2,738,138	46%
PLANT FUNDS							
Capital Outlay / Bldg. Renewal & Repl.							
Projects from Institutional Funds	11,519,140	3,484,263	30%	9,723,989	228,808	1,698,358	17%
Projects from State GOB Funds	4,955,549	4,950,000	0%	3,960,000		102,377	3%
Projects from State STB Funds	785,072	500,900	0%	596,058		557,752	94%
Projects from General Fund	0		0%	0	7,989	31,756	0%
Projects from Private Funds	0		0%	0			0%
Projects from State ER&R	332,720	129,311	39%	332,720		57,618	17%
Projects from State BR&R	597,281	212,029	35%	597,281	66,855	356,459	60%
Subtotal - Capital and BR&R	18,189,762	9,276,503	51%	15,210,048	303,652	2,804,320	18%
Debt Service							
Revenue Bonds	0		0%	0	0	0	0%
Total Plant Funds	18,189,762	9,276,503	51%	15,210,048	303,652	2,804,320	18%
GRAND TOTAL EXPENDITURES	50,349,210	26,874,091	53%	48,261,057	3,017,216	19,508,437	40%

NEW MEXICO JUNIOR COLLEGE
Revenue Report
December 2017

50% of Year Completed

Fund	2016-17			2017-18			
	Final Budget	Year-to-date Revenue	Percentage of Budget Received	Budget	Current Revenue	Year-to-date Revenue	Percentage of Budget Received
CURRENT UNRESTRICTED FUND							
Instruction and General:							
Tuition and Fees	3,667,000	3,081,494	84%	3,812,000	468,998	3,151,255	83%
State Appropriations	5,982,400	2,917,574	49%	5,629,937	469,158	2,814,948	50%
Advalorem Taxes - Oil and Gas	7,235,000	4,381,295	61%	7,235,000	1,415,957	4,502,344	62%
Advalorem Taxes - Property	7,052,621	1,996,586	28%	7,700,000	2,261,668	2,261,668	29%
Interest Income	15,000	185	1%	10,000	179	1,147	11%
Other Revenues	347,984	322,013	93%	296,538		182,640	62%
Subtotal - Instruction & General	24,300,005	12,699,147	52%	24,683,475	4,615,960	12,914,002	52%
Research	0	0	0%	400,000	100,000	200,000	50%
Public Service	0	0	0%	0	0	0	0%
Internal Service Departments	39,170	7,314	19%	12,500	310	4,788	38%
Auxiliary Enterprises	2,586,000	1,947,269	75%	3,668,000	288,103	2,104,009	57%
Athletics	477,300	225,148	47%	448,100	38,440	228,426	51%
Total Current Unrestricted	27,402,475	14,878,878	54%	29,212,075	5,042,813	15,451,225	53%
CURRENT RESTRICTED FUND							
Grants	1,977,141	712,623	36%	1,977,141	83,489	508,617	26%
Student Aid	3,989,359	1,984,624	50%	3,989,359		2,057,976	52%
Total Current Restricted	5,966,500	2,697,247	45%	5,966,500	83,489	2,566,593	43%
PLANT FUNDS							
Capital Outlay / Bldg. Renewal & Repl.							
Projects from State GOB Funds	4,955,549		0%	3,960,000			0%
Projects from State STB Funds	785,072	0	0%	596,058	271,125	272,920	46%
Projects from General Fund	0	0	0%	0		0	0%
Projects from Private Funds	0	0	0%	0		0	0%
Interest Income (LGIP)	10,000	19,842	198%	25,000	7,831	37,459	150%
Total Plant Funds	5,750,621	19,842	0%	4,581,058	278,956	310,379	7%
GRAND TOTAL REVENUES	39,119,596	17,595,967	45%	39,759,633	5,405,258	18,328,197	46%

NEW MEXICO JUNIOR COLLEGE

Oil and Gas Revenue Report

December 2017

50% of Year Completed

		OIL		GAS		COMBINED		
Sales	Month of Distribution	Price per BBL	Lea County BBLs sold	Price per MCF	Lea County MCF sold	Monthly Revenue	2017-18 Original Budget	Variance Over (Under) Budget
Actual	July	\$41.11	7,043,447	\$3.16	25,188,223	817,449	465,000	352,449
Actual	August	\$43.06	7,085,620	\$3.71	25,547,110	873,645	465,000	408,645
Actual	September	\$44.66	7,227,236	\$3.79	24,020,104	965,644	465,000	500,644
Accrual	October					465,000	465,000	0
Accrual	November					465,000	465,000	0
Accrual	December					465,000	465,000	0
Accrual	January						465,000	(465,000)
Accrual	February						465,000	(465,000)
Accrual	March						465,000	(465,000)
Accrual	April						465,000	(465,000)
Accrual	May						465,000	(465,000)
Accrual	June						465,000	(465,000)
Y.T.D. Production Tax Revenue						4,051,738	5,580,000	(1,528,262)
Y.T.D. Equipment Tax Revenue						450,606	1,655,000	(1,204,394)
Total Year-to-Date Oil & Gas and Equipment Tax Revenue						<u>4,502,344</u>	<u>7,235,000</u>	<u>(2,732,656)</u>

Source: New Mexico Taxation and Revenue Department

NEW MEXICO JUNIOR COLLEGE

Schedule of Investments

December 2017

50% of Year Completed

Financial Institution	Amount Invested	Account Number	Interest Rate	Interest Earned
State of New Mexico Local Government Investment Pool	8,593,127	7102-1348	1.058%	7,831
Plus deposits	0			
Less withdrawals	0			
Total LGIP investments	<u>8,593,127</u>			<u>7,831</u>

Capital Project	12/31/2017
Vehicles	6,093.50
Campus Master Plan	60,000.00
Technology Upgrade	111,397.46
JASI	10,860.82
WHM South Gallery	266,594.43
Baseball Field	14,522.68
Rodeo Arena	8,895.24
Luminis Software	2,993.00
Landscaping	172,621.63
Campus Signage	245,362.62
Dorm/Apartment Refurbish	19,549.39
Campus Construction	150,223.14
Oil & Gas Training	144,149.32
Public Sector	9,227.00
Campus Security	88,283.18
Lumens Software-Distance Learning	5,000.00
Copier Replacement	274.00
Non-Recurring Compensation	652,169.10
Athletics	3,188.90
Student Life Programming	20,432.28
Warehouse/Cont Ed Remodel	384.00
Succession Plan	52,014.15
WHM Exhibits	140,257.11
Mansur Hall Upgrades	1,961.13
Driving Range Upgrades	200,000.00
Entertainment Technology	52,508.63
Cafeteria Upgrade	162,927.54
Channel 19 Upgrade	6,433.51
FERPA & Title IX	5,610.68
Equestrian Center	3,000,000.00
Bob Moran Upgrades	59,033.91
Turf Replacement	82,781.47
WHM Titanic Exhibit	3,734.85
HVAC Software-Central Plant	200,000.00
Busing Support for Recruiting	5,872.30
HED Faculty Development	17,914.40
Omni Update	7,500.00
Allied Health	5,494,711.51
Workforce Training Contingency	2,110.82
Total	11,487,593.70

NEW MEXICO JUNIOR COLLEGE

Vice President for Finance

5317 Lovington Highway
Hobbs, NM 88240
Phone: (575) 492-2770
Fax: (575) 492-2768

To: Board Members
From: Dan Hardin
RE: Quarterly Financial Action Report
Date: January 12, 2018

To comply with the HED (Higher Education Department) mandate that each College Board approve a quarterly financial action statement, attached is the Quarterly Action Statement for the quarter ending on December 31, 2017. This disclosure notifies you as the NMJC Board as well as the HED to any financial problems that might not be evident with an income and expense report. The College has made all required payments, payroll, and scheduled payments to vendors. Please approve the Quarterly Financial Action Report as of December 31, 2017.

Respectfully,

Dan Hardin

QUARTERLY FINANCIAL ACTION REPORT

Fiscal Year 18

Today's Date: 1-12-2018

Period (check one)

1st quarter _____ 2nd quarter X 3rd quarter _____ 4th quarter _____

Institution: New Mexico Junior College

DURING THE TIME PERIOD COVERED BY THIS REPORT, DID YOUR INSTITUTION:

(1) Request an advance of state subsidy? Yes: _____ No: X

(2) Fail to make its required payments, as scheduled, to appropriate retirement system(s)?

Yes: _____ No: X

(3) Fail to make its payroll payments, as scheduled?

Yes: _____ No: X

(4) Fail to make its scheduled debt service payments?

Yes: _____ No: X

(5) Fail to make payments to vendors, as scheduled, due to a cash deficiency or a substantial deficiency in the payment processing system?

Yes: _____ No: X

(6) Relative to its original budget for the fiscal year, experience any actual or anticipate any projected financial changes (such as unbudgeted decreases in revenues or unbudgeted increases in expenditures) that will result in a substantially reduced year-end fund balance or larger deficit this fiscal year?

Yes: _____ No: X

If the answer to any of the above is "Yes," please describe in a separate document: (i) the reason for the occurrence, (ii) the actions taken by your institution to resolve this particular occurrence, and (iii) the actions taken by your institution to prevent events such as this from occurring again.

In addition, if the answer to number 6 is "Yes," please describe in a separate document the nature of the financial changes and describe and assess the impact that the changes will have on your institution's planned year-end financial position.