



NEW MEXICO
Junior College

NEW MEXICO JUNIOR COLLEGE
FINANCIAL STATEMENTS
WITH REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
YEAR ENDED JUNE 30, 2015



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NEW MEXICO JUNIOR COLLEGE
OFFICIAL ROSTER
JUNE 30, 2015

Name	BOARD MEMBERS	Title
Pat Chappelle		Chairman
Manny Gomez		Member
Zeak Williams		Member
Mary Lou Vinson		Member
Ron Black		Secretary
Hector Baeza		Member
Travis Glenn		Member

**ADMINISTRATIVE
OFFICIALS**

Dr. Steve McCleery	President
Dan Hardin	Vice-President for Finance
Dr. Dennis Atherton	Vice-President for Instruction
Phillip Roybal	Vice-President for Student Services
Robert Rhodes	Vice-President for Training and Outreach

Name	NMJC FOUNDATION BOARD MEMBERS	Title
Scott Smith		President
John Graham		Vice-President
Dan Hardin		Treasurer
Tina Kunko		Secretary



Accounting & Consulting Group.LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Timothy H. 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 the 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, 2015, 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, 2015, 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 New Mexico Junior College, as of June 30, 2015, 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 8-15, 50 and 51, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the College's financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget *Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations*, and Supporting Schedules I through III required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and Supporting Schedule IV have 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015, 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.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Hobbs, New Mexico
November 10, 2015

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 2015.

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, 2015. This discussion gives a comparative analysis of business-type activity from fiscal year 2014 to fiscal year 2015.

Financial Highlights

The College's assets and deferred outflows exceeded its liabilities, deferred inflows and net position at the close of the June 30, 2015 fiscal year by \$70,348,070. The College was required to implement GASB 68 and recorded the net pension liability restatement of \$22,293,247 which reduced the unrestricted net assets to (\$2,399,569). See Note 7 in the Notes to the Financial Statements for a more detail explanation of the implementation of GASB 68.

The College's financial position decreased in 2014/2015 as compared to prior years. Net Position decreased during the year by \$17,640,371 over the previous year. The decrease resulted primarily from the college's implementation of GASB 68 which required the college to record the Educational Retirement Board (ERB) net pension liability of \$22,579,247. See Note 7 in the Notes to the Financial Statements for a more detail explanation of the effects of the implementation of GASB 68.

The College's investments reflect \$10,593,127 at June 30, 2015, 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, 2015, and includes the comparison to the prior year.

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Position

	June 30, 2015	June 30, 2014	June 30, 2015 NMJC Foundation
Assets:			
Current assets	\$ 23,402,819	\$ 21,268,078	\$ 733,324
Capital assets, net	72,747,639	70,359,238	-
Noncurrent assets-			
Intangible asset			75,000
Investments	-	-	6,396,901
Capital assets, net			60,024
Restricted cash	-	563,304	-
Deferred Outflows	2,402,183	-	-
Total assets and deferred outflows	\$ 98,552,641	\$ 92,190,620	\$ 7,265,249
Liabilities:			
Current liabilities	\$ 3,114,876	\$ 3,271,734	\$ 31,546
Non-current liabilities	22,699,527	930,445	-
Deferred inflows	2,390,168	-	-
Total liabilities and deferred inflows	28,204,571	4,202,179	31,546
Net Position:			
Net investment in capital assets	72,747,639	69,293,188	60,024
Restricted:			
Nonexpendable endowments	-	-	4,831,205
Expendable grants, bequests and contributions	-	-	2,088,366
Expendable future debt service requirements	-	563,304	-
Unrestricted net assets	(2,399,569)	18,131,949	254,108
Total net position	\$ 70,348,070	\$ 87,988,441	\$ 7,233,703

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 \$87,988,441 at the close of June 30, 2014, as compared to the \$70,348,070 as of June 30, 2015. As of June 30, 2015, the Net Position consists of investment of capital assets (e.g. land, building, and equipment), net of related debt in the amount of \$72,747,639. 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 2015 fiscal year by \$2,388,401 net of depreciation expense of \$3,830,038. Net Position also consists of unrestricted Net Position of (\$2,399,569). The negative unrestricted Net Position is due to the College's implementation of GASB 68 and the recording of net pension liability of \$22,579,247. See Note 7 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.

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table summarizes the College's revenues, expenses, and changes in Net Position for the year ending June 30, 2015 and includes a comparison to the year ended June 30, 2014.

Revenues, Expenses and Changes in Net Position

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015 NMJC Foundation</u>
Operating revenues	\$ 9,008,718	\$ 7,796,425	\$ 392,791
Operating expenses	<u>36,519,957</u>	<u>35,625,788</u>	<u>284,429</u>
Operating (loss) income	(27,511,239)	(27,829,363)	108,362
Non-operating revenues and expenses	<u>29,272,803</u>	<u>31,601,241</u>	<u>58,124</u>
Income before other revenue	1,761,564	3,771,878	166,486
Capital appropriations	<u>2,891,312</u>	<u>1,679,947</u>	-
Increase (decrease) in net position	<u>\$ 4,652,876</u>	<u>\$ 5,451,825</u>	<u>\$ 166,486</u>

Analysis of Changes in Net Position

Before consideration of the restatement for GASB 68 implementation, the College's Net Position increased by \$4,652,876 during the 2015 fiscal year as compared to an increase of \$5,451,825 for the 2014 fiscal year. Operating revenues were \$9,008,718 in 2015, which is an increase of \$1,212,293 from fiscal year 2014. Operating expenses were \$36,519,957 in fiscal year 2015, which is an increase of \$894,169 from fiscal year 2014.

Operating Revenues

The following table summarizes the College's operating revenues of \$9,008,718 for the fiscal year ended June 30, 2015, as compared to the operating revenues of \$7,796,425 in 2014. Fiscal year 2015 reflects an increase in revenues from student tuition and fees, federal grants and contracts, state and other grants and contracts, auxiliary enterprises and intercollegiate athletics. New Mexico Junior College Foundation revenues for the year total \$392,791, which is an increase over fiscal year 2014.

Operating Revenues

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015 NMJC Foundation</u>
Student tuition and fees, net	\$ 3,940,631	\$ 3,789,592	\$ -
Federal grants and contracts	1,335,248	696,129	-
State and other grants and contracts	723,534	688,218	-
Auxiliary enterprises	2,515,732	2,289,951	-
Intercollegiate athletics	493,573	332,535	-
Gifts, bequests and endowments	<u>-</u>	<u>-</u>	<u>392,791</u>
Total operating revenues	<u>\$ 9,008,718</u>	<u>\$ 7,796,425</u>	<u>\$ 392,791</u>

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Expenses

The following table summarizes the College's operating expenses of \$36,519,957 for the fiscal year ended June 30, 2015, as compared to the operating expenses of \$35,625,788 in 2014. The increase in operating expenses is attributed to the 4% compensation increase, increase for student financial aid, increase in auxiliary enterprises, and increase in intercollegiate athletics. New Mexico Junior College Foundation expenses for the year were \$284,429.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015 NMJC Foundation</u>
Instruction	\$ 10,435,795	\$ 9,956,957	\$ -
Academic support	2,359,757	2,301,402	-
Student services	2,741,533	2,331,277	-
Institutional support	4,555,208	4,392,509	284,429
Operations and maintenance	3,946,527	3,826,492	-
Depreciation	3,830,039	3,501,754	-
Renewals and replacements	943,702	1,502,319	-
Student aid	3,828,325	4,093,260	-
Private grants	151,608	159,125	-
Intercollegiate athletics	1,422,682	1,367,843	-
Auxiliary enterprises	2,304,781	2,192,850	-
	<u>\$ 36,519,957</u>	<u>\$ 35,625,788</u>	<u>\$ 284,429</u>

Non-Operating Revenues (Expenses)

The following table summarizes the College's non-operating revenues (expenses) of \$29,272,803 for the fiscal year ended June 30, 2015. Local appropriations continue to remain strong and there was a decrease in Federal Pell Grants. Local appropriations were significantly higher than the budget level approved by the governing board. Oil and gas taxes were down \$2,415,623. There were no significant or unexpected changes in the other areas of non-operating revenues and expenses.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015 NMJC Foundation</u>
Property taxes	\$ 7,406,600	\$ 6,883,542	\$ -
Oil and gas taxes	12,568,920	14,984,543	-
Federal pell grants	2,527,174	2,790,068	-
State appropriations, non-capital	6,189,467	6,067,965	-
Other revenue sources	617,358	1,053,149	-
Investment income	21,444	17,165	28,135
Interest on capital related debt	(31,602)	(57,947)	-
Loss on write-off of capital assets	-	(146,817)	-
(Loss) Gain on sale of capital assets	(26,558)	9,573	-
Production taxes	-	-	(3,428)
Royalties	-	-	33,417
	<u>\$ 29,272,803</u>	<u>\$ 31,601,241</u>	<u>\$ 58,124</u>

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Increase in Net Position

The following table summarizes the College's increase in Net Position of \$5,451,825 for June 30, 2014 compared to the increase in Net Position of \$4,652,876 for June 30, 2015.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015 NMJC Foundation</u>
Income before capital appropriations	\$ 1,761,564	\$ 3,771,878	\$ 828,378
Capital appropriations	<u>2,891,312</u>	<u>1,679,947</u>	<u>-</u>
Increase (decrease) in Net Position	4,652,876	5,451,825	828,378
Net position - beginning of year	87,988,441	82,536,616	6,238,839
Net position, restatement (Note 17)	<u>(22,293,247)</u>	<u>-</u>	<u>-</u>
Net position, beginning as restated	65,695,194	82,536,616	6,238,839
Net position - end of year	<u>\$ 70,348,070</u>	<u>\$ 87,988,441</u>	<u>\$ 7,067,217</u>

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration

At June 30, 2015, the College had \$72,747,639 invested in capital assets as compared to \$70,359,238 at June 30, 2014. The Foundation had \$60,024 for radio equipment.

Capital Assets, Net

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015 NMJC Foundation</u>
Land Improvements	\$ 2,732,535	\$ 2,983,529	\$ -
Buildings	46,127,926	47,090,304	-
Infrastructure	11,408,894	11,724,868	-
Software	1,294,923	176,634	-
Library books	410,934	493,426	-
Furniture and equipment	2,022,847	2,298,000	60,024
Automobiles	637,457	609,724	-
Construction in progress	7,903,860	4,774,490	-
Land	208,263	208,263	-
	<u>\$ 72,747,639</u>	<u>\$ 70,359,238</u>	<u>\$ 60,024</u>

Major capital expenditures during the 2015 fiscal year include the Infrastructure Renewal and Upgrade project, Bob Moran Hall Upgrades project, Mansur Hall Upgrades project, Rodeo Arena Improvements project, Dorms/Apartment renovations, and various landscaping projects and equipment/software and automobile purchases.

The College paid off its outstanding balance of the 2005 Revenue Bonds. The college made debt service payments of \$1,066,050 on the principal of the 2005 Revenue Bonds. The College has no debt outstanding at June 30, 2015.

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):

	<u>2015</u>	<u>2014</u>
Current funds		
Unrestricted	3.20	3.10
Restricted	0.02	<0.01>
Plant funds	<3.80>	1.70

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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. Over the past several years the financial support from the State has declined to a level that is less than 20% of the NMJC operating budget. Beginning in 2013 the State funding has leveled off and has remained steady. Early indications from the State Legislative Finance Committee are that the State Funding is projected to continue to be flat at best. The local economy has been strong for several years, but as oil prices tumbled, the local economy has slowed and the College is seeing some layoffs happening with many of the large companies. From what we can determine the local economy in 2016 will stay soft, but there is some optimism for a rebound in the price of oil in 2017. The unemployment rate in Lea County was holding steady at 4% until around June 2015 when we saw a spike to the current 6.2%. The State unemployment level has also risen is now at 6.7%. 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 along with the online offerings, low tuition, housing, and athletics and it has been effective in taking 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 been a revitalization and extension of the projected life of some oil fields in Lea County. Although drilling and exploration have slowed down tremendously in the County, production has remained steady. It is anticipated that if oil prices continue to stay low for a long period of time then production will start declining. Lea County property assessment has increased, allowing property tax revenue to makeup some of the loss in State revenues. Over all, the economic outlook for New Mexico Junior College for the coming year appears to be somewhat stable. At the end of fiscal year 2015 the College was able to retire all debt; this will place the College in a better position to weather most funding issues.

NEW MEXICO JUNIOR COLLEGE

STATEMENT OF NET POSITION

June 30, 2015

ASSETS	Primary Government	NMJC Foundation
Current assets:		
Cash and cash equivalents	\$ 7,331,201	\$ 693,819
Short-term investments	10,593,127	-
Accounts receivable, net	4,207,752	39,505
Inventory	806,204	-
Prepaid expenses	307,886	-
Prepaid summer expenses	156,649	-
Total current assets	<u>23,402,819</u>	<u>733,324</u>
Non-current assets:		
Intangible asset	-	75,000
Investments	-	6,396,901
Capital assets, net	72,747,639	60,024
Total non-current assets	<u>72,747,639</u>	<u>6,531,925</u>
Total assets	<u>96,150,458</u>	<u>7,265,249</u>
Deferred outflows		
Deferred outflows - contributions after measurement date	1,567,745	-
Deferred outflows - change in proportion	834,438	-
Total deferred outflows	<u>2,402,183</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 98,552,641</u>	<u>\$ 7,265,249</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 764,214	\$ 31,546
Accrued expenses	1,091,624	-
Unearned revenues	1,046,988	-
Compensated absences	212,050	-
Total current liabilities	<u>3,114,876</u>	<u>31,546</u>
Non-current liabilities:		
Compensated absences	108,265	-
Net pension liability	22,591,262	-
Total non-current liabilities	<u>22,699,527</u>	<u>-</u>
Deferred inflows		
Deferred inflows - investment experience	2,053,639	-
Deferred inflows - actuarial experience	336,529	-
Total deferred inflows	<u>2,390,168</u>	<u>-</u>
Total liabilities and deferred inflows	<u>28,204,571</u>	<u>31,546</u>
Net position:		
Net investment in capital assets	72,747,639	60,024
Restricted for:		
Nonexpendable endowments	-	4,831,205
Expendable grants and contributions	-	2,088,366
Unrestricted	(2,399,569)	254,108
Total net position	<u>70,348,070</u>	<u>7,233,703</u>
Total liabilities and net position	<u>\$ 98,552,641</u>	<u>\$ 7,265,249</u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2015

	Primary Government	NMJC Foundation
Operating revenues:		
Student tuition, fees and trainings	\$ 3,940,631	\$ -
Federal grants and contracts	1,335,248	-
State and other grants and contracts	723,534	-
Auxiliary enterprises	2,515,732	-
Intercollegiate athletics	493,573	-
Gifts, bequests and endowments	-	392,791
Total operating revenues	<u>9,008,718</u>	<u>392,791</u>
Operating expenses:		
Instruction	10,435,795	-
Academic support	2,359,757	-
Student services	2,741,533	-
Institutional support	4,555,208	284,429
Operations and maintenance	3,946,527	-
Depreciation	3,830,039	-
Renewals and replacements	943,702	-
Student aid	3,828,325	-
Public service	151,608	-
Intercollegiate athletics	1,422,682	-
Auxiliary enterprise expenses	2,304,781	-
Total operating expenses	<u>36,519,957</u>	<u>284,429</u>
Operating loss	<u>(27,511,239)</u>	<u>108,362</u>
Non-operating revenues (expenses):		
Property taxes	7,406,600	-
Oil and gas taxes	12,568,920	-
Federal pell grants	2,527,174	-
State appropriations, non-capital	6,189,467	-
Other revenue sources	617,358	-
Investment income	21,444	28,135
Interest on capital related debt	(31,602)	-
Loss on sale of capital assets	(26,558)	-
Production taxes	-	(3,428)
Royalties	-	33,417
Net non-operating revenues (expenses)	<u>29,272,803</u>	<u>58,124</u>
Income before capital appropriations	1,761,564	166,486
State appropriations, capital	<u>2,891,312</u>	<u>-</u>
Change in net position	4,652,876	166,486
Net position, beginning of year	87,988,441	7,067,217
Net position, restatement (Note 17)	<u>(22,293,247)</u>	<u>-</u>
Net position, beginning as restated	<u>65,695,194</u>	<u>7,067,217</u>
Net position, end of year	<u>\$ 70,348,070</u>	<u>\$ 7,233,703</u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE**STATEMENT OF CASH FLOWS**

For the year ended June 30, 2015

	Primary Government
Cash flows from operating activities:	
Tuition, fees and trainings	\$ 5,806,395
Federal and state grants and contracts	2,058,782
Auxiliary enterprise charges	2,515,732
Intercollegiate athletics	493,573
Payments to employees and for employee benefits	(18,848,226)
Disbursement of net aid to students	(4,556,434)
Payments to suppliers	(8,953,989)
Net cash (used) by operating activities	<u>(21,484,167)</u>
Cash flows from noncapital financing activities:	
State appropriations	6,189,467
Federal pell grants	2,527,174
Property taxes	7,406,600
Oil and gas taxes	12,568,920
Net cash provided by noncapital financing activities	<u>28,692,161</u>
Cash flows from capital financing activities:	
Principal payments on long-term debt	(1,066,050)
Interest paid	(38,803)
Other revenue sources	617,358
Capital appropriations	2,891,312
Net cash provided by capital financing activities	<u>2,403,817</u>
Cash flows from investing activities:	
Purchase of capital assets	(6,262,503)
Proceeds from the sale of capital assets	17,505
Interest received	21,444
Net cash (used) by investing activities	<u>(6,223,554)</u>
Net increase in cash and cash equivalents	3,388,257
Cash and cash equivalents - beginning of year	14,536,071
Cash and cash equivalents - end of year	<u>\$ 17,924,328</u>
Reconciliation to Statement of Net Position	
Cash and cash equivalents	\$ 7,331,201
Short-term investments	10,593,127
Cash and cash equivalents - end of year	<u>\$ 17,924,328</u>
Operating Loss	\$ (27,511,239)
Reconciliation of operating loss to net cash used by operating activities:	
Depreciation expense	3,830,039
Net pension expense	286,000
Changes in assets and liabilities:	
Accrued expenses	(99,199)
Inventory	70,564
Unearned revenues	83,072
Prepaid expenses	(161,999)
Compensated absences	71,449
Accounts payable	38,891
Accounts receivable, net	1,782,692
Prepaid summer expenses	125,563
Net cash (used) by operating activities	<u>\$ (21,484,167)</u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2015

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 330,193
Accounts receivable	<u>1,277</u>
Total assets	<u><u>\$ 331,470</u></u>
LIABILITIES	
Accounts payable	\$ 7,526
Due to student organizations	<u>323,944</u>
Total liabilities	<u><u>\$ 331,470</u></u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

2. 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 its discretely presented 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 potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. Organizations that are legally separate tax-exempt entities that meet *all* of the criteria should be discretely presented as component units.

- A. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- B. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- C. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Component Unit

Component units are legally separate organizations for which the primary organization is financially accountable. Component units can also be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entities financial statements to be misleading or incomplete. In addition, component units can be organizations that raise and hold economic resources for the direct benefit of a primary unit. Because of the closeness of their relationships with the primary organization, some component units are blended as though they are part of the primary organization. However, most component units are discretely presented. The College has one blended and one discretely presented component unit. The College does not have any related organizations, joint ventures or jointly governed organizations.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

During the year ended June 30, 2015, the College adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* (“GASB 68”), and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* (“GASB 71”). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the implementation of GASB 68, the government recognized a net pension liability (“NPL”) measured as of a date no later than the end of its prior fiscal year. If the government employer makes a contribution to the pension plan subsequent to the measurement date but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate.

At transition to Statement 68, Statement 71 requires the employer or nonemployer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year, thus avoiding possible understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation. This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects. The Foundation participates in the College's pension plan.

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.

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, 2015, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset, generally 40 years for buildings, 20 years for infrastructure and land improvements, 5 years for library books, 5 years for automobiles, 5 to 7 years for equipment and 5 to 10 years for externally purchased software. 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.

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 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.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The College receives a significant portion of their revenue from property tax revenue and oil and gas tax revenue. Property tax revenue was \$7,406,600 or 18% of total revenue in fiscal year 2015. Oil and gas production and equipment tax revenue fluctuates significantly upon demand and was \$12,568,920 or 30% of total revenue in fiscal year 2015.

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.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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 Education 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. Reclassifications

Certain reclassifications were made to the 2014 financial statement presentation in order to conform to the 2015 financial statement presentation. The reclassifications had no effect on the previously reported change in net position.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015. 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.

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.

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

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2015, \$2,303,004 of the College's bank balances of \$2,860,614 was exposed to custodial credit risk. \$1,599,452 was uninsured and collateralized by the collateral held by the pledging bank's trust department, not in the College's name. \$703,552 of the College's deposits were uninsured and uncollateralized at June 30, 2015.

	Lea County State Bank	Wells Fargo Bank	Western Commerce Bank	Total
Total amount of deposits	\$ 504,962	2,330,602	25,050	2,860,614
Deposit accounts covered by the FDIC coverage	<u>(282,560)</u>	<u>(250,000)</u>	<u>(25,050)</u>	<u>(557,610)</u>
Total uninsured public funds	222,402	2,080,602	-	2,303,004
Collateralized by securities held by the institution or by its trust department or agent other than the College's name	<u>222,402</u>	<u>1,377,050</u>	<u>-</u>	<u>1,599,452</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>703,552</u>	<u>-</u>	<u>703,552</u>
Collateral requirement (50% of uninsured public funds)	111,201	1,040,301	-	1,151,502
Pledged security	<u>1,842,740</u>	<u>1,377,050</u>	<u>-</u>	<u>3,219,790</u>
Over collateralization	<u>\$ 1,731,539</u>	<u>336,749</u>	<u>-</u>	<u>2,068,288</u>

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

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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.

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. The overnight repurchase is the only investment subject to custodial credit risk, as the other investments are external pools. As of June 30, 2015, 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.

	Wells Fargo Bank
	<u> </u>
Total amount of deposits	\$ 5,090,591
Deposit accounts covered by the FDIC coverage	<u> -</u>
Total uninsured public funds	5,090,591
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the College's name	<u> 5,090,591</u>
Uninsured and uncollateralized	<u><u> -</u></u>
Collateral requirement (102% of uninsured public funds)	5,192,403
Pledged security	<u> 5,192,403</u>
Over collateralization	<u><u> -</u></u>

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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.

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, 2015, 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

	Rating	Fair Value	Weighted Average Maturity
New MexiGROW LGIP	AAAM	\$ 10,593,127	54.6 day WAM(R); 77.7 day WAM(F)

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, 2015, other than investments in the State Treasurer’s *New MexiGROW* LGIP. Therefore, they are not subject to any concentration of credit risk.

The following represents the concentration of credit risk regarding the investments of the College at June 30, 2015:

Investment	Market Value	Percent of Investment
New MexiGROW LGIP	\$ 10,593,127	100.0%
Total investments	\$ 10,593,127	100.0%

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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, beginning cash and cash equivalents as presented on the statement of cash flows has been adjusted to reflect the \$14,536,071.

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

Deposits and overnight repurchase	\$ 7,951,205
<i>New MexiGROW LGIP</i>	<u>10,593,127</u>
Total deposits and investments	18,544,332
Petty cash	4,236
Add reconciling items	<u>(294,047)</u>
Total cash and cash equivalents and investments	\$ <u><u>18,254,521</u></u>
Statement of Net Position:	
Cash and cash equivalents	\$ 7,331,201
Short-term investments	<u>10,593,127</u>
Cash and cash equivalents, end of year per statement of cash flows	17,924,328
Statement of Fiduciary Assets and Liabilities:	
Cash and cash equivalents	<u>330,193</u>
Net deposits and investments	\$ <u><u>18,254,521</u></u>

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – ACCOUNTS RECEIVABLE

The College's accounts receivable at June 30, 2015 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	\$	308,816
Oil and gas taxes		2,496,109
General receivables		737,585
Student receivables		1,523,987
Other taxes receivable		<u>33,673</u>
		5,100,170
Less allowance for uncollectible accounts		<u>(892,418)</u>
Net total accounts receivable	\$	<u><u>4,207,752</u></u>

NOTE 4 – ACCRUED EXPENSES

The College's accrued expenses at June 30, 2015 are as follows:

Payroll	\$	527,627
Payroll taxes and related liabilities		<u>563,997</u>
Total accrued expenses	\$	<u><u>1,091,624</u></u>

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – CAPITAL ASSETS

The following table summarizes the changes in the College's capital assets during the fiscal year ended June 30, 2015:

	June 30, 2014	Additions	Deletions	Transfers	June 30, 2015
Assets not being depreciated:					
Construction in progress	\$ 4,774,490	\$ 3,412,880	\$ -	\$(283,510)	\$ 7,903,860
Land	208,263	-	-	-	208,263
	<u>4,982,753</u>	<u>3,412,880</u>	<u>-</u>	<u>(283,510)</u>	<u>8,112,123</u>
Assets being depreciated:					
Land improvements	6,157,427	57,124	-	-	6,214,551
Buildings	67,545,205	290,306	-	283,510	68,119,021
Infrastructure	14,304,591	363,937	-	-	14,668,528
Software	1,014,789	1,162,676	-	-	2,177,465
Library books	1,179,254	99,064	-	-	1,278,318
Furniture and equipment	10,659,274	666,784	906,391	-	10,419,667
Automobiles	1,785,275	209,733	218,125	-	1,776,883
	<u>102,645,815</u>	<u>2,849,624</u>	<u>1,124,516</u>	<u>283,510</u>	<u>104,654,433</u>
Totals	<u>107,628,568</u>	<u>6,262,504</u>	<u>1,124,516</u>	<u>-</u>	<u>112,766,556</u>
Less accumulated depreciation:					
Land improvements	3,173,898	308,118	-	-	3,482,016
Buildings	20,454,902	1,536,193	-	-	21,991,095
Infrastructure	2,579,723	679,911	-	-	3,259,634
Software	838,155	44,387	-	-	882,542
Library books	685,828	181,556	-	-	867,384
Furniture and equipment	8,361,274	897,875	862,329	-	8,396,820
Automobiles	1,175,551	181,999	218,124	-	1,139,426
	<u>37,269,331</u>	<u>3,830,039</u>	<u>1,080,453</u>	<u>-</u>	<u>40,018,917</u>
Net capital assets	<u>\$ 70,359,237</u>	<u>\$ 2,432,465</u>	<u>\$ 44,063</u>	<u>\$ -</u>	<u>\$ 72,747,639</u>

Depreciation expense as of June 30, 2015 was \$3,830,039. On June 30, 2015, the College's Board of Directors certified an annual inventory of the College's assets and sold assets at an auction so removed a net \$44,063 from furniture, equipment and vehicles. The College recognized a loss of \$26,558 on the sale of these assets.

NOTE 6 – 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.

NOTE 6 – 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, 2015, 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, 2015, 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, 2015, 2014, and 2013 were \$250,950, \$252,154 and \$235,193, respectively, which equal the required contributions for each year.

NOTE 7 – 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.

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%.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (continued)

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. 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, 2014 employers contributed 13.15% 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 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 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. The College's contributions to ERB for the fiscal years ending June 30, 2015, 2014, and 2013, were \$1,567,745, \$1,487,809 and \$1,162,290, respectively, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the College and the Foundation reported a total liability of \$22,591,262 for their 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, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the College's proportion was .39594 percent, which was a decrease of .01791 from its proportion measured as of June 30, 2013.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (continued)

For the year ended June 30, 2015, the College and the Foundation recognized a total pension expense of \$1,853,745. At the June 30, 2015, the College and component unit 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	\$ -	\$ 336,529
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,053,639
Changes in proportion and differences between contributions and proportionate share of contributions	834,438	-
Employer contributions subsequent to the measurement date	1,567,745	-
Total	<u>\$ 2,402,183</u>	<u>\$ 2,390,168</u>

\$1,567,745 reported as deferred outflows of resources related to pensions resulting from College and its component unit contributions subsequent to the measurement date of June 30, 2014, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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:	
2016	\$ (340,528)
2017	(340,528)
2018	(361,275)
2019	(513,399)
2020	-
Thereafter	-

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 7 – PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (continued)

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. Specifically, the liabilities measured as of June 30, 2014 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% 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 ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. 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)

NEW MEXICO JUNIOR COLLEGE**NOTES TO THE FINANCIAL STATEMENTS****JUNE 30, 2015****NOTE 7 – PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (continued)**

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. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2014 and 2013 for 30-year return assumptions are summarized in the following table:

<u>Asset Class</u>	2014	2013
	<u>Long-term Expected Real Rate of Return</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	1.50%	0.75%
Treasuries	2.00%	1.00%
IG Corp Credit	3.50%	3.00%
MBS	2.25%	2.50%
Core Bonds	2.53%	2.04%
TIPS	2.50%	1.50%
High Yield Bonds	4.50%	5.00%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	0.75%
Global Bonds (Hedged)	1.38%	0.93%
EMD External	5.00%	4.00%
EMD Local Currency	5.75%	5.00%
Large Cap Equities	6.25%	6.75%
Small/Mid Cap	6.25%	7.00%
International Equities (Unhedged)	7.25%	7.75%
International Equities (Hedged)	7.50%	8.00%
Emerging International Equities	9.50%	9.75%
Private Equity	8.75%	9.00%
Private Debt	8.00%	8.50%
Private Real Assets	7.75%	8.00%
Real Estate	6.25%	6.00%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	4.75%
Hedge Funds Mod Vol	5.50%	6.50%

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – 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, 2014 and June 30, 2013. 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 2014. 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	\$ 30,738,019	\$ 22,591,262	\$ 15,786,423

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 June 30, 2014 and June 30, 2013 which are 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, 2015 the College owed the ERB \$230,483 for the contributions withheld in the month of June 2015.

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.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

NOTE 12 – NEW MEXICO JUNIOR COLLEGE FOUNDATION (DISCRETELY PRESENTED 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.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 12 – NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT) (continued)

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, 2015, 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 files its forms 990 in the U.S. federal jurisdiction and a copy is filed with the Attorney General of New Mexico, Registry of Charitable Organizations. The Foundation is generally no longer subject to examination by the Internal Revenue Service for years before 2012.

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.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 – NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT) (continued)

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, 2015, the Foundation's uninsured cash deposits total was \$0.

As of June 30, 2015, there were no balances in excess of insurance coverage.

	First American Bank	Merrill Lynch	Wells Fargo Bank	Total
Total amount of deposits	\$ 189,414	\$ 364,399	\$ 148,815	\$ 513,214
Less: FDIC coverage	189,414	250,000	148,815	398,815
Less: SIPC coverage	-	114,399	-	114,399
Total uninsured public funds	-	-	-	-
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the College's name	-	-	-	-
Uninsured and uncollateralized	\$ -	\$ -	\$ -	\$ -
Collateral requirement (50% of uninsured public funds)	-	-	-	-
Pledged security	-	-	-	-
Over (under) collateralization	\$ -	\$ -	\$ -	\$ -

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, 2015, other than investments in the State Treasurer's *New MexiGROW* LGIP. Therefore, they are not subject to any concentration of credit risk. The following represents the concentration of credit risk regarding the investments of the Foundation at June 30, 2015:

Investment	Market Value	Percent of Foundation's Investment
Equities	\$ 258,196	4.0%
Mutual funds	6,119,122	95.7%
Royalty Interest	19,583	0.3%
Total Foundation investments	\$ 6,396,901	100.0%

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 12 – NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT) (continued)

The Foundation also maintains a royalty interest in the amount of \$19,583; however, it is not a financial instrument subject to credit risk.

Receivables

The Foundation considers receivables to be 100% collectible; therefore no allowance has been made for uncollectible amounts. The receivable at June 30, 2015 consists of the following:

Golf tournament fundraising pledges receivable	\$	3,350
Royalty income receivable		<u>36,155</u>
Accounts receivable, net	\$	<u><u>39,505</u></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.

During the year ended, June 30, 2015, the Foundation received a donation of a radio station license and call letters along with radio station equipment. The total value of the donated assets included in the Statement of Revenues, Expenses and Changes in Net Position amounts to \$135,024.

Institutional support

The Foundation provided the following institutional support to the College during the year ended June 30, 2015:

Scholarships	\$	184,869
Program assistance		37,076
Work-study		16,956
Administrative support		27,988
Fundraising expenses		13,540
Awards		<u>4,000</u>
Total institutional support	\$	<u><u>284,429</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.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 – NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT) (continued)

Intangible asset

On April 8th, 2015 the Foundation 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.

NOTE 13 – CONSTRUCTION COMMITMENTS

The College has one big construction project commitment as of June 30, 2015. The commitments related to this project is approximately \$2,053,635 as of June 30, 2015. This project cost is as follows:

<u>Project Description</u>	<u>Amount</u>
Infrastructure Renewal & Upgrade	\$ <u>2,053,635</u>

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, 2015 as follows:

Accrued vacation – beginning of year	\$ 248,866
Additions	283,499
Deletions	<u>(212,050)</u>
Accrued vacation – end of year	\$ <u>320,315</u>

The College estimates that \$212,050 will be due within one year.

NOTE 15 – BONDS PAYABLE

The College issued revenue bonds to provide funds for the construction of student housing on the New Mexico Junior College campus. These bonds were paid off as of June 30, 2015.

System Revenue Bonds
Series: July 15, 2005
Original Issue: \$4,589,369
Principal: May 1
Interest: May 1 and November 1
Rates: 2.34% to 4.26%
Matures: May 1, 2021

Long-term liability for the year ended June 30, 2015 was as follows as the liability was paid off by the college:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>Due within One Year</u>
System Revenue Bonds Series 7/15/2005	\$ <u>1,066,050</u>	\$ <u>-</u>	\$ <u>1,066,050</u>	\$ <u>-</u>	\$ <u>-</u>

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 16 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

A. Deficit equity

The College does not maintain a deficit equity position.

B. Excess of expenditures over appropriations.

The College is not aware of any expenses in excess of budgetary authority

C. Designated cash appropriation in excess of available balances.

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

NOTE 17 – NET POSITION RESTATEMENT

The College has a prior period adjustment of (\$22,293,247) which was required for implementation of Statement No. GASB 68 and GASB 71. The adjustment reflects a beginning net pension liability of \$(23,728,372) and a beginning of deferred outflow of resources-employer contributions subsequent to the measurement date of \$1,435,125. The changes are as follows:

Fund Name	Fund Balance/ Net Position Originally Reported June 30, 2014	Restate Net Pension Liability	Fund Balance/ Net Position Restated June 30, 2014
Business-type activities	\$ 87,988,441	\$ (22,293,247)	\$ 65,695,194
	\$ 87,988,441	\$ (22,293,247)	\$ 65,695,194

NOTE 18 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2015, have been evaluated for possible adjustment to the financial statements or disclosures is November 10, 2015. Except for the paragraph below, there were no other events occurring after June 30, 2015 that necessitate adjustment to the financial statements or disclosure as of November 10, 2015.

In July 2015, the Foundation received a \$100,000 donation. \$90,000 of this donation was placed in scholarship endowments and \$10,000 will be used for scholarships over the next five years.

In August 2015, the College approved the purchase of a data center upgrade for \$342,000 funded from existing cash.

In October 2015, the board approved the New Mexico Junior College Entertainment and Music Technology remodel at the Bob Moran Hall with an estimated cost of \$2,500,000 which consisted of \$750,000 for equipment and \$1,750,000 for construction and was funded by the institution.

The College has been in the process of planning the design and construction of a new allied healthcare facility with estimated costs of \$6,955,000 funded by severance and GO bonds.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 19 – SUBSEQUENT PRONOUNCEMENTS

In February 2015, GASB Statement No. 72 *Fair Value Measurement and Application*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015 with earlier application being encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement 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*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016 with earlier application being encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. The College is still evaluating how this pronouncement will affect the financial statements.

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

In June 2015, GASB Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015 with earlier application being encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015 with earlier application being encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

NOTE 20 – 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.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 21 – LEGISLATIVE GRANTS

The College had the following legislative grants funded by Severance Tax Bonds (STB) and General Obligation Bonds (GOB) as of June 30, 2015:

Project	Agency	Grant #	Effective Date	Reversion Date
NMJC Energy Technology Training	Higher Education Department	STB 14-2111	6/24/2014	6/30/2016
NMJC Infrastructure Improvements	Higher Education Department	GOB 12-1241	4/23/2013	6/30/2016
NMJC Health & Wellness Learning Center	Higher Education Department	GOB 14-1298	4/15/2015	6/30/2018

Project	Expenditures to			
	Net Amount	Date	Reverted	Remaining
NMJC Energy Technology Training	\$ 425,000	\$ 425,000	\$ -	\$ -
NMJC Infrastructure Improvements	3,300,000	2,634,678	-	665,322
NMJC Portion of Health & Wellness Learning	4,950,000	-	-	4,950,000
	\$ 8,675,000	\$ 3,059,678	\$ -	\$ 5,615,322

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE COLLEGE'S PROPORTIONATE
SHARE OF THE NEW PENSION LIABILITY
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS***

	<u>2015</u>
Proportion of the net pension liability (asset)	0.39594%
Proportionate share of the net pension liability (asset)	\$ 22,591,262
Covered employee payroll	<u>12,550,181</u>
Proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	<u>180.01%</u>
Plan fiduciary net position as a percentage of the total pension liability	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

**SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS***

	<u>2015</u>
Contractually required contribution	\$ 1,567,745
Contributions in relation to the contractually required contribution	<u>1,567,745</u>
Contribution deficiency (excess)	-
Covered employee payroll	<u>13,510,416</u>
Contributions as a percentage of covered employee payroll	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

See independent auditors' report
See notes to required supplementary information

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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. ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six (6) year actuarial experience study presented to the Board of Trustees on April 26, 2013, ERB implemented the following changes in assumptions for fiscal years 2014 and 2013.

1. Fiscal year 2014 and 2013 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 4.75% to 4.25%
 - b. Lower payroll growth from 3.75% to 3.50%
 - c. Minor changes to demographic assumptions
 - d. Population growth per year from 0.75% to 0.50%
2. Assumptions that were not changed:
 - a. Investment return will remain at 7.75%
 - b. Inflation will remain at 3.00%

Also see the *Actuarial Assumptions* subsection of the financial statement note disclosure *General Information on the Pension Plan*.

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, 2015

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Beginning fund balance</i>	11,699,060	11,699,060	17,629,201	5,930,141
<i>Unrestricted and restricted revenues:</i>				
State general fund appropriations	6,467,864	6,482,854	6,896,045	413,191
Federal revenue sources	5,825,663	5,809,459	4,590,531	(1,218,928)
Tuition and fees	3,684,200	3,684,200	3,940,631	256,431
Other	6,388,561	5,690,868	6,817,495	1,126,627
Local funding	13,238,500	17,986,829	19,975,520	1,988,691
Private grants	-	51,212	16,956	(34,256)
<i>Total unrestricted and restricted revenues</i>	<u>35,604,788</u>	<u>39,705,422</u>	<u>42,237,178</u>	<u>2,531,756</u>
<i>Unrestricted and restricted expenditures:</i>				
Instruction	10,047,432	11,347,624	10,418,842	928,782
Academic support	2,297,413	2,497,039	2,359,757	137,282
Student services	2,480,930	4,207,554	3,149,224	1,058,330
Institutional support	3,544,126	4,759,614	4,555,208	204,406
Operation and maintenance of plant	3,544,092	3,808,548	3,946,527	(137,979)
Student social and cultural activities	159,500	173,000	151,608	21,392
Auxiliary services	1,800,693	2,157,160	2,135,770	21,390
Intercollegiate athletics	1,029,348	1,425,760	1,209,318	216,442
Internal service	87,145	150,266	169,011	(18,745)
Renewals and replacements	12,737,761	8,957,899	943,702	8,014,197
Retirement of indebtedness	276,000	276,000	31,602	244,398
Student aid, grants and stipends	5,627,019	4,360,146	4,556,434	(196,288)
Private grants	-	-	16,956	(16,956)
<i>Total unrestricted and restricted expenditures</i>	<u>43,631,459</u>	<u>44,120,610</u>	<u>33,643,959</u>	<u>10,476,651</u>
<i>Net transfers</i>	<u>3,335,646</u>	<u>10,370,750</u>	<u>(6,042,745)</u>	<u>(4,328,005)</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(8,026,671)</u>	<u>(4,415,188)</u>	<u>2,550,474</u>	<u>8,680,402</u>
<i>Ending fund balance</i>	<u>\$ 3,672,389</u>	<u>\$ 7,283,872</u>	<u>\$ 20,179,675</u>	<u>\$ 14,610,543</u>
<i>Change in net position per statement of revenues, expenses and changes in net position</i>			4,652,876	
Capital outlay expenditures capitalized			(6,262,504)	
Net book value of assets sold			44,063	
Depreciation expense			3,830,039	
Net pension liability			286,000	
<i>Financial statements change in net position reconciled to budgetary basis</i>			<u>\$ 2,550,474</u>	

See accompanying independent auditors' report

NEW MEXICO JUNIOR COLLEGE

**UNRESTRICTED - 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, 2015**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
<i>Beginning fund balance</i>	\$ 10,279,381	\$ 10,279,381	\$ 14,470,947	\$ 4,191,566
<i>Unrestricted revenues:</i>				
Internal service dept	27,000	27,000	21,104	(5,896)
Auxiliary enterprises	2,251,000	2,381,301	2,515,732	134,431
Athletics	483,400	487,298	493,573	6,275
STB/GOB Drawdowns	3,310,000	2,478,108	2,891,312	413,204
Other	-	-	52,389	52,389
<i>Total unrestricted revenues</i>	<u>6,071,400</u>	<u>5,373,707</u>	<u>5,974,110</u>	<u>600,403</u>
<i>Unrestricted expenditures:</i>				
Internal services	87,145	150,266	169,011	(18,745)
Student aid, grants and stipends	593,551	868,551	949,371	(80,820)
Auxiliary services	1,800,693	2,157,160	2,135,770	21,390
Intercollegiate athletics	1,029,348	1,425,760	1,209,318	216,442
Renewals and replacements	12,737,761	8,957,899	943,702	8,014,197
Retirement of indebtedness	276,000	276,000	31,602	244,398
<i>Total unrestricted expenditures</i>	<u>16,524,498</u>	<u>13,835,636</u>	<u>5,438,774</u>	<u>8,396,862</u>
<i>Net transfers</i>	<u>1,206,001</u>	<u>4,206,001</u>	<u>2,252,685</u>	<u>(1,953,316)</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(9,247,097)</u>	<u>(4,255,928)</u>	<u>2,788,021</u>	<u>7,043,949</u>
<i>Ending fund balance</i>	<u>\$ 1,032,284</u>	<u>\$ 6,023,453</u>	<u>\$ 17,258,968</u>	<u>\$ 11,235,515</u>

See accompanying independent auditors' report

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, 2015**

	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	5,033,468	3,491,595	3,319,096	(172,499)
State government contracts/grants	159,500	173,000	443,465	270,465
Private grants	-	-	16,956	16,956
<i>Total restricted revenues</i>	<u>5,192,968</u>	<u>3,664,595</u>	<u>3,779,517</u>	<u>114,922</u>
<i>Restricted expenditures:</i>				
Public Service	159,500	173,000	151,608	21,392
Student aid, grants and stipends	5,033,468	3,491,595	3,607,063	(115,468)
Private grants	-	-	16,956	(16,956)
<i>Total restricted expenditures</i>	<u>5,192,968</u>	<u>3,664,595</u>	<u>3,775,627</u>	<u>(111,032)</u>
<i>Net transfers</i>	-	-	(3,890)	(3,890)
<i>Change in fund balance (budgetary basis)</i>	-	-	-	-
<i>Ending fund balance</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report

NEW MEXICO JUNIOR COLLEGE**UNRESTRICTED - INSTRUCTION AND GENERAL****STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE****BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance, as restated</i>	\$ 1,419,679	\$ 1,419,679	\$ 3,158,254	\$ 1,738,575
<i>Unrestricted revenues:</i>				
Tuition and fees	3,684,200	3,684,200	3,940,631	256,431
State government appropriations	6,047,200	6,047,200	6,189,467	142,267
Local government appropriations	13,238,500	17,986,829	19,975,520	1,988,691
Federal grants and contracts	55,000	83,978	82,679	(1,299)
Other	317,161	317,161	843,385	526,224
<i>Total unrestricted revenues</i>	<u>23,342,061</u>	<u>28,119,368</u>	<u>31,031,682</u>	<u>2,912,314</u>
<i>Unrestricted expenditures:</i>				
Instruction	9,731,091	11,018,956	10,155,729	863,227
Academic support	2,273,743	2,424,460	2,359,757	64,703
Student services	1,840,687	2,074,588	1,960,468	114,120
Institutional support	3,528,284	4,746,075	4,555,208	190,867
Operation and maintenance of plant	3,541,829	3,808,548	3,946,527	(137,979)
<i>Total unrestricted expenditures</i>	<u>20,915,634</u>	<u>24,072,627</u>	<u>22,977,689</u>	<u>1,094,938</u>
<i>Net transfers</i>	<u>2,129,645</u>	<u>6,164,749</u>	<u>(8,291,540)</u>	<u>(14,456,289)</u>
<i>Change in fund balance (budgetary basis)</i>	<u>4,556,072</u>	<u>10,211,490</u>	<u>(237,547)</u>	<u>(10,449,037)</u>
<i>Ending fund balance</i>	<u>\$ 5,975,751</u>	<u>\$ 11,631,169</u>	<u>\$ 2,920,707</u>	<u>\$ (8,710,462)</u>

See accompanying independent auditors' report

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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, 2015

	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	737,195	2,233,886	1,188,756	(1,045,130)
State government contracts/grants	261,164	262,654	263,113	459
Private grants	-	51,212	-	(51,212)
<i>Total restricted revenues</i>	<u>998,359</u>	<u>2,547,752</u>	<u>1,451,869</u>	<u>(1,095,883)</u>
<i>Restricted expenditures:</i>				
Instruction	316,341	328,668	263,113	65,555
Academic support	23,670	72,579	-	72,579
Student services	640,243	2,132,966	1,188,756	944,210
Institutional support	15,842	13,539	-	13,539
Operations and maintenance of plant	2,263	-	-	-
<i>Total restricted expenditures</i>	<u>998,359</u>	<u>2,547,752</u>	<u>1,451,869</u>	<u>1,095,883</u>
<i>Net transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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 accompanying independent auditors' report

NEW MEXICO JUNIOR COLLEGE

AGENCY FUNDS

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

Year ended June 30, 2015

	June 30, 2014	Receipts	Disbursements	June 30, 2015
Athletic Summer School	\$ 25	\$ -	\$ -	\$ 25
Baseball Booster Club	4,100	17,812	15,744	6,168
Pam Bickerton Family Scholarship	431	-	431	-
Cheerleaders	1,989	-	-	1,989
Athletic Training	301	-	-	301
Golf Booster Club	20,296	7,983	4,180	24,099
Basketball Tournaments	3,739	-	3,739	-
Men's Basketball	6,711	7,894	10,062	4,543
Women's Cross Country	672	1,023	1,127	568
Rodeo Club	12,095	15,030	6,487	20,638
Women's Basketball	15,037	4,075	7,359	11,752
AMP Club	180	-	-	180
ASSET Student Recognition	1,847	-	340	1,507
Backpacking & Camping	271	-	-	271
Burke Poetry Contest	444	-	-	444
Campus Ambassadors	1,305	442	541	1,206
College Democrats	316	-	-	316
Career Connections/Communications	299	-	-	299
Cosmetology Students	4,157	20,051	13,321	10,887
College Republicans	495	979	1,429	45
Drama Club	5,008	2,241	-	7,249
Emergency Services Law Camp	1,762	-	-	1,762
Faculty Senate	1,162	3,008	3,500	670
Fallen Officers Memorial Fund	-	8,649	2,607	6,042
FFA	3,406	-	-	3,406
Fellowship of Christian Athletes	302	47	231	119
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	606	-	-	606
Law Enforcement Guest Speakers	876	92	367	601
Moran Lecture Series	9,855	411	4,208	6,058
NJCAA Division I Golf Association	43	-	-	43
NMJC Band Club	4,430	3,722	4,449	3,704
NMJC Sensations	4,623	-	-	4,623
NMJC Social Committee	8,879	4,442	3,489	9,832
Nature Trail Sculptures	6,385	-	-	6,385
NM Education Service Center	26,115	-	-	26,115
Phi Beta Lambda-NMJC	239	-	-	239
MU Alpha Theta	972	4,565	5,030	507
Phi Theta Kappa	4,428	6,958	9,017	2,370
Library Contest	100	-	-	100
Rope Climbing and Rappelling Club	635	-	-	635
Short Go Bible Study	56	500	106	450
Sigma Kappa Delta	100	-	-	100
Student Nurses Association	3	-	-	3
Support and Maintenance Council	1,492	1,145	85	2,552
Thunderbird Booster Club	18	1,109	1,107	21
Talent Search	10	-	-	10
VICA Postsec Automotive	74	-	74	-

See accompanying independent auditors' report

	<u>June 30, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2015</u>
NMJC Skills USA-High School	\$ 3,656	\$ 22,441	\$ 18,233	\$ 7,864
Prepaid Tuition Agreement	26,157	2,345	936	27,565
SBDC Program Services	28,670	9,023	6,466	31,228
Student Support Services-SSS	669	372	372	669
NMJC Research Foundation	8,078	-	-	8,078
Upward Bound	10,748	11,807	11,967	10,588
Western Heritage Donations	11,678	7,674	4,101	15,251
Western Heritage Museum Memorial	788	240	6	1,021
Western Heritage Archaeological	649	340	671	318
Western Heritage Museum	6,165	16,058	6,655	15,568
WHM Special Events	40,435	12,147	31,718	20,864
WHM Centennial	8,615	209	209	8,615
WHM Archaeological Memorial	552	-	-	552
WHM Publications Endowment	93	-	-	93
WHM Mammoth Fund Raiser	1,300	-	-	1,300
WhM Discretionary Fund	320	3,530	3,477	373
WHM Titanic Exhibit	-	9,850	251	9,599
Total agency fund cash	306,070	208,214	184,090	330,193
				-
Accounts Payable	(14,373)	(8,003)	(14,851)	(7,526)
Accounts Receivable	777	500	-	1,277
Due to student organizations	\$ 292,474	\$ 200,710	\$ 169,240	\$ 323,944

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS

June 30, 2015

Account Name	Type	Western Commerce Bank	New MexiGROW LGIP	Lea County State Bank
NMJC	Checking	\$ 25,050	\$ -	\$ -
Instructional and general	Checking	-	-	-
Instructional and general	Overnight Repurchase	-	-	-
NMFA program funds	Mutual fund	-	-	-
NMFA debt service reserve	State Treasurer	-	-	-
NMJC money market	Deposit	-	-	32,560
Student loan fund	Checking	-	-	-
Pell federal account	Checking	-	-	393,317
Payroll dep account	Checking	-	-	79,085
Agency account	Time Deposit	-	-	-
NMJC	Short-Term Investment	-	10,593,127	-
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	CD	-	-	-
NMJC Foundation	Savings	-	-	-
NMJC Foundation	Checking	-	-	-
Amounts on deposit		25,050	10,593,127	504,962
Outstanding items		-	-	(57,500)
		<u>\$ 25,050</u>	<u>\$ 10,593,127</u>	<u>\$ 447,462</u>

See accompanying independent auditors' report

Wells Fargo Bank	Total	Component Unit			Total
		Merrill Lynch	Wells Fargo Bank	First American	
\$ -	\$ 25,050	\$ -	\$ -	\$ -	\$ -
2,001,201	2,001,201	-	-	-	-
5,090,591	5,090,591	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	32,560	-	-	-	-
-	-	-	-	-	-
-	393,317	-	-	-	-
-	79,085	-	-	-	-
329,401	329,401	-	-	-	-
-	10,593,127	-	-	-	-
-	-	28,543	-	-	28,543
-	-	33,822	-	-	33,822
-	-	15,679	-	-	15,679
-	-	21,403	-	-	21,403
-	-	9,952	-	-	9,952
-	-	140,000	-	189,414	329,414
-	-	115,000	-	-	115,000
-	-	-	50,520	-	50,520
-	-	-	98,295	-	98,295
-	-	-	-	-	-
7,421,193	18,544,332	364,399	148,815	189,414	702,628
(236,547)	(294,047)	-	(9,095)	256	(8,839)
<u>\$ 7,184,646</u>	<u>18,250,285</u>	<u>\$ 364,399</u>	<u>\$ 139,720</u>	<u>\$ 189,670</u>	<u>693,789</u>
Petty cash	4,236				30
	<u>\$ 18,254,521</u>				<u>\$ 693,819</u>
Reconciliation to the Financial Statements:					
Cash and cash equivalents	\$ 7,331,201				\$ 693,819
Short-term investment	10,593,127				-
	<u>17,924,328</u>				<u>693,819</u>
Statement of Fiduciary Assets & Liabilities:					
Cash & cash equivalents	330,193				-
Total deposits and investments	<u>\$ 18,254,521</u>				<u>\$ 693,819</u>

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NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY

Schedule III

June 30, 2015

Depository	Description of Pledged Collateral	Fair Market Value June 30, 2015	Name and Location of Safekeeper
Wells Fargo Bank			
	FN AE0216 4.000% CUSIP #31419AG27	\$ 646,209	Wells Fargo Bank Minneapolis, MN
	FN-30 AED478 CUSIP #31419AQ83	4,856,610	Wells Fargo Bank Minneapolis, MN
	FN AT8418 3.000% CUSIP #3138WWK81	<u>1,066,634</u>	Wells Fargo Bank Minneapolis, MN
Total collateral on repurchase agreement deposits at Wells Fargo Bank		<u>6,569,453</u>	
Lea County State Bank			
	Roswell NM 3.45%, Due 8/1/2016	303,596	Lea County State Bank Hobbs, NM
	Gasden NM ISD, Due 8/15/2018	1,007,419	Lea County State Bank Hobbs, NM
	Los Alamos PSD, Due 8/1/2018	<u>531,725</u>	Lea County State Bank Hobbs, NM
Total Lea County State Bank		<u>1,842,740</u>	
		<u>\$ 8,412,193</u>	

See accompanying independent auditors' report

NEW MEXICO JUNIOR COLLEGE
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES
EXCEEDING \$60,000 (EXCLUDING GRT)
June 30, 2015

<u>RFB#/ RFP#</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>Amount of Awarded Contract</u>	<u>Amount of Amended Contract</u>
114	Request for proposal	Great Western Dining Service	Various	Various
1070	Invitation to Bid	Daniels Insurance Agency, Inc.	343,735	343,735
1068	Invitation to Bid	Daniels Insurance Agency, Inc.	99,251	99,251
1069	Invitation to Bid	Strong Power Electric, LLC	Various	Various

See independent auditors' report

Name and Address of Responders	In-State/ Out-of-State Vendor	In-State Vendor Who Elected Veteran's Preference	Description of Work
Great Western Dining Service PO Box 699 Tipton, MO 65081-0699	N	N	To provide food services
Daniels Insurance Agency, Inc. PO Box 1258 Hobbs, NM 88241	N	N	To provide commercial insurance
Daniels Insurance Agency, Inc. PO Box 1258 Hobbs, NM 88241	Y	N	To provide worker's compensation insurance
Strong Power Electric, LLC PO Box 1868 Lovington, NM 88260	Y	N	To provide on-call electrical services
Cano P. Automation & Electrical 822 West Avenue A, Lovington, NM 88260	Y	N	
Service Electric Company 3716 Commercial NE, Albuquerque, NM 87107	Y	N	



Accounting & Consulting Group, LLP
Certified Public Accountants

**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
The Office of Management and Budget and
New Mexico Junior College Board
New Mexico Junior College
Hobbs, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the fiduciary fund of New Mexico Junior College (the College), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and related budgetary comparisons of the College presented as supplementary information, and have issued our report thereon dated November 10, 2015.

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 College'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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 2015-001, FS 2015-002, FS 2015-003 and FS 2015-004.

College's Responses to the Findings

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Accounting + Consulting Group, LLP

Accounting and Consulting Group, LLP
Albuquerque, NM
November 10, 2015



Accounting & Consulting Group, LLP
Certified Public Accountants

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT

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

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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 the attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item FA 2015-001, that we consider to be a material weakness.

The College's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
November 10, 2015

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Schedule V

Year ended June 30, 2015

	<u>Federal CFDA Number</u>	<u>Program or Grantor Number</u>	<u>Federal Expenditures</u>
US Department of Education			
Direct programs:			
Student financial assistance cluster: *			
Federal Pell Grant program (1)	84.063	42310	\$ 2,527,174
Federal SEOG program (1)	84.007	42325	29,535
Federal work study program (1)	84.033	42511	30,698
TRIO cluster: *			
TRIO-Student support services (2)	84.042A	41131	264,462
TRIO-Upward bound (2)	84.047A	41133	230,723
US Nuclear Regulatory Commission			
US NRC Scholarships	77.006	41142	43,151
US Department of Labor Employment & Training*			
Administration			
TAACCCT Grant	17.282	41151	650,420
Passed through New Mexico			
Public Education Department:			
Adult Basic Education Federal	84.002	41310	<u>83,982</u>
Total US Department of Education			<u>3,860,145</u>
US Small Business Administration			
Passed through New Mexico			
Public Education Department:			
Small Business Development Center	59.037	41220	<u>151,608</u>
Total expenditures of federal awards			<u><u>\$ 4,011,753</u></u>

* Tested as major program

() Denotes cluster

Federal Direct loans advanced to students in fiscal year 2015 were not included on this schedule.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015**

- NOTE 1** Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as unearned revenues until earned.
- NOTE 2** The period of availability for federal funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provision in Section H-Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement.
- NOTE 3** This schedule was prepared on the accrual basis of accounting.
- NOTE 4** New Mexico Junior College is not a direct participant in federally funded student loan programs where it enables them to track outstanding balances of the loans.
- NOTE 5** Federal Direct loans advanced to students in fiscal year 2015 totaled \$728,109.
- NOTE 6** New Mexico Junior College did not provide any federal awards to subrecipients during the year.
- NOTE 7** New Mexico Junior College did not receive any non-cash federal assistance during the year.
- NOTE 8** New Mexico Junior College has no federally funded insurance, and no federally funded loans or loan.

NEW MEXICO JUNIOR COLLEGE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

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? None noted
 - c. Noncompliance material to the financial statements? None noted

Federal Awards:

- 1. Internal control over major programs:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified not considered to be material weaknesses? None noted
- 2. Type of auditors' report issued on compliance for major programs Unmodified
- 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes
- 3. 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

84.042A
84.047A

TRIO Cluster
TRIO-Student Support Services
TRIO-Upward Bound

17.282

Trade Adjustment Assistance Community College and Career Training
TAACCCT Grant

- 5. Dollar threshold used to distinguish between type A and type B programs: \$300,000
- 6. Auditee qualified as low-risk auditee? No

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

B. FINDINGS—FINANCIAL STATEMENT AUDIT

FS 2015-001 Stale Dated Checks - Finding that does not rise to the level of a significant deficiency

Condition: During testwork over the Lea County State Bank instruction and general account, it was noted that there were 87 checks between July of 2013 and June of 2014 that have been outstanding for more than six months, which is the void after date printed on the checks. These checks totaled \$14,096.94.

Criteria: Chapter 7 Article 8A, NMSA 1978, and related regulations require that the College provide information about the payees and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year.

Effect: The College is in violation of state statutes regarding stale-dated checks. Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Cause: The College did not ensure that there weren't any stale dated checks outstanding at the end of the year.

Auditors' Recommendation: The College should establish a policy to void checks after a certain period of time, not to exceed one year from the date the check was written. Bank reconciliations should be reviewed every month to clear out any old checks.

Views of Responsible Officials and Planned Corrective Actions: The College understands there should be a policy regarding the voiding of checks once the checks have become stale dated. The Accountant/Controller has implemented a new procedure beginning in October 2015. As the Accountant/Controller is reconciling the monthly bank statement, a stale dated check list will be generated and provided to the Accounts Payable Clerk for voiding in the Banner system.

FS 2015-002 Travel and Per Diem - Finding that does not rise to the level of a significant deficiency

Condition: The College does not have adequate internal controls over travel and per diem expenditures. For 2 out of 8 transactions tested for travel and per diem, the College did not have proper signatures by management on the request for travel slip before the travel was taken.

Criteria: Travel policies and procedures shall be in compliance with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-8, NMSA 1978, and department of finance and administration (DFA) regulations.

Effect: The College is at risk of being fined and/or otherwise penalized for not complying with government regulations and the College is reimbursing more travel expense than is allowed.

Cause: The College did not maintain policies and procedures to ensure that documentation is properly reviewed to ensure compliance with State Statutes.

Auditors' Recommendation: We recommend the College review all supporting documentation and retain all documents to ensure compliance with NMAC 6.20.2.24 (c) and 6.20.2.11 (c). The policy should be clear, written, and communicated to all to whom it applies and enforced uniformly.

Views of Responsible Officials and Planned Corrective Actions: The College understands the importance that travel should be thoroughly documented and the proper approvals obtained before a trip is taken. The College's administration has met with the Business Office staff in October 2015 to devise a policy to address this issue. The President emailed all faculty and staff to remind them that all travel must be approved before a trip. The Accounts Receivable Specialist/Head Cashier along with the Accountant/Controller has worked with the Director of Administrative Services to draft a policy in the Business Office Policy and Procedures manual along with the Employee Handbook to address the issue of travel approval occurring before a trip. This policy has been updated and will be brought before the Board of Directors at the December Board Meeting. The Accounts Receivable Specialist/Head Cashier will make sure when travel is reconciled, that the proper documentation has been received.

B. FINDINGS—FINANCIAL STATEMENT AUDIT (Continued)

FS 2015-003 Internal Controls over Payroll – Finding that does not rise to the level of a significant deficiency

Condition: For 1 out of 22 transactions tested for payroll expenditures with federal monies, an employee who received special pay for extra services performed did not have a signed and authorized Appointment/Change of Status form by a Vice President, which is a College policy.

Criteria: Per the New Mexico Junior College 2014-2015 Employee Handbook Policy No. 204 Section II Part B: Personnel requisition forms for employment shall be approved by the appropriate Vice President and the President. These requisitions forms are used for new positions and change of status positions. According to the College's Human Resources department, any special compensation or special pay for extra services must be authorized by a Vice President, President, or the Board depending on the level of the employee. A Vice President authorizes part-time employees.

Effect: The lack of documentation and approved contract could result in excessive or incorrect payments.

Cause: The College did not comply with their own policies and procedures to ensure that payroll transactions are properly reviewed.

Auditor's Recommendation: We recommend that the College review all employee contracts and ensure all required signatures are documented and retained to substantiate wages paid.

Views of Responsible Officials and Planned Corrective Actions: The College understands the importance of proper approvals being obtained for personnel requisitions. Departments are made aware by the Human Resources Office that they must have the appropriate Vice President and President signatures on personnel request forms. This policy is documented in the New Mexico Junior College Employee Handbook Policy No. 204 Section II Part B. Every NMJC employee except student workers is required to acknowledge the NMJC Employee Handbook every time a new handbook is published. When personnel requisitions are processed in the Human Resource Office, the Human Resources and Payroll Specialist and the Human Resources Payroll Technician review to ensure all the appropriate approvals have been obtained.

FINDINGS—FINANCIAL STATEMENT AUDIT (Continued)

FS 2015-004 Controls over the Verification Compliance Requirement – Other Noncompliance

Condition: During testing of verification procedures and documentation in the Student Financial Aid office, it was noted that one student selected for verification had a change in the amount of child support he paid, but this change was not noted in the Banner system. The student originally reported he paid \$3,000 in child support but during verification provided documentation that he paid \$5,760 in child support. This difference did not affect the amount of aid he was eligible to receive.

Criteria: A school must verify any application information that it has reason to believe is incorrect [34 CFR 668.54(a)(3)] or discrepant [34 CFR 668.16(f)] or selected by the Central Processing System (CPS). Students with these applications are considered to be selected for verification. Per the New Mexico Junior College Financial Aid Office Policies and Procedures Section III Student Eligibility – Verification: “If the student’s file is selected for Verification, which means certain information the student reported must be verified for accuracy, thus requiring the student to submit additional documents to the office, the process may take longer since in some cases corrections are necessary after the verification is completed.” Schools are required to verify 100% of the applicants selected by the CPS.

Effect: If a student selected for verification submitted information that changed their EFC qualification, the amount of aid the student is eligible for could be altered. Though this student’s original submission of child support paid was already at the maximum eligibility and therefore his aid was not affected, if verification changes are not submitted into the College’s Banner system, a student could receive less or more aid than they are eligible for.

Cause: The College did not maintain their own policies and procedures to ensure that students selected for verification were verified for accuracy and their information was updated in the Banner system.

Auditor’s Recommendation: We recommend that the College review all student verification documents and that a second review be done to ensure the information is accurate and all necessary changes have been made.

Views of Responsible Officials and Planned Corrective Actions: Upon notification of the issue, the Financial Aid Advisor immediately updated the student’s FAFSA to reflect the correct child support paid and submitted the correction to the central processing system. A preventative plan was also immediately implemented. To address such an issue going forward, all completed verifications are being reviewed by the Director of Financial Aid before aid is awarded. The Director of Financial Aid has already reviewed all previously completed verification files for the current 1516 school year and will continue to review all completed verification files going forward. The College believes that the review by a second person will prevent future verification finds of this nature.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

FA 2015-001 TRIO Cluster – Performance Reporting - Material Weakness

Federal Program information:

Title: TRIO Cluster-Student Support Services
Funding Agency: U.S. Department of Education
Pass Through: None
CFDA Number: 84.042
Award Year and Number: P042A100007-14
Questioned Cost: None

Condition: During our testwork over reporting, we noted the following:

- The participant's eligibility status was improperly reported on 2 of the 40 tested.
- The participant's date of first project service was improperly reported on 1 of the 40 tested.
- The participant's enrollment status at the end of the academic year was improperly reported on 13 of the 40 tested.
- The participant's academic standing was improperly reported on 1 of the 40 tested.
- The participant's cumulative GPA was improperly reported on 3 of the 40 tested.
- The participant's degree/certificate status was improperly reported in 3 of the 40 tested.

Criteria: Proper internal controls over compliance and compliance requirements for the TRIO Cluster require that program staff review and approve reports and ensure the accuracy of key line item information as required in the annual performance reports (OMB No. 1840-0525).

Effect: The College is not reporting accurate information, which could result in a future loss of funding.

Cause: The program management was not properly reporting the participant's eligibility status, date of first project service, college grade level at entry into the project, enrollment status at the end of the academic year, academic standing, cumulative GPA, and degree/certificate status described in the APR instructions when classifying participants to complete the data entry for the annual performance reporting requirements.

Auditors' Recommendation: Management should establish a more detailed review to ensure participants are correctly classified in the Annual Performance Report prior to submission to the U.S. Department of Education.

Views of Responsible Officials and Planned Corrective Actions: Management agrees that proper reporting is essential in the compliance requirements as required by (OMB No. 1840-0525). The Director of Student Support Services and the Vice President for Student Services will review the Annual Performance Report prior to submission to the U.S. Department of Education. This review process will be implemented with the 2014/2015 Annual Performance Report submission done in November 2015.

D. PRIOR YEAR FINDINGS

- FS 2014-001: Internal Control over Fuel Cards – Other Matters
Resolved and not repeated.
- FS 2014-002: Formal Presentation of Chief Procurement Officer Information to Central Purchasing –
Other Matters. Resolved and not repeated.
- FA 2014-001: TRIO Cluster – Payroll Distribution Reports – Material Weakness, Material Non-Compliance
Resolved and not repeated.
- FA 2014-002: TRIO Cluster – Unsupported and/or Unallowed Costs – Significant Deficiency and
Noncompliance). Resolved and not repeated.
- FA 2014-003: TRIO Cluster – Performance Reporting – Significant Deficiency
Resolved and not repeated.

NEW MEXICO JUNIOR COLLEGE

OTHER DISCLOSURES

JUNE 30, 2015

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, 2015 by Accounting and Consulting Group, 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 November 13, 2015. The following persons were in attendance:

Foundation Officials

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

College Officials

Pat Chappelle, Board Chairman
Ron Black, Board Secretary
Dr. Steve McCleery, President
Dan Hardin, Vice-President for Finance
Josh Morgan, Accountant/Comptroller

Accounting & Consulting Group, LLP

Cindy Bryan, Partner
Paul Garcia, Supervisor In-Charge