



New Mexico
Junior College

Financial Statements with
Report of Independent Certified Public Accountants
Year Ended June 30, 2016



(This page intentionally left blank.)

State of New Mexico
New Mexico Junior College
Annual Financial Report
June 30, 2016
Table of Contents

	Statement/ Schedule	Page
INTRODUCTORY SECTION		
Table of Contents		3
Official Roster		5
FINANCIAL SECTION		
Independent Auditors' Report		6-7
Management's Discussion and Analysis		10-15
BASIC FINANCIAL STATEMENTS		
Statement of Net Position		16
Statement of Revenues, Expenses, and Changes in Net Position		17
Statement of Cash Flows		18
Statement of Fiduciary Assets and Liabilities		19
Notes to the Financial Statements		20-49
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of the College's Proportionate Share of the Net Pension Liability	I	52
Schedule of the College's Contributions	II	53
Notes to Required Supplementary Information		54
SUPPLEMENTARY INFORMATION		
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget (Non-GAAP Budgetary Basis) and Actual:		
Unrestricted and Restricted- All Operations	A-1	56
Unrestricted- Non-Instruction and General	A-2	57
Restricted- Non-Instruction and General	A-3	58
Unrestricted- Instruction and General	A-4	59
Restricted- Instruction and General	A-5	61
Schedule of Deposit and Investment Accounts	III	64-65
Schedule of Collateral Pledged by Depository	IV	67
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds	V	68-69
Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)	VI	70-71
COMPLIANCE SECTION		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		72-73
Independent Auditors' Report on Compliance for each Major Federal Program and on Report on Internal Controls Over Compliance Required by the Uniform Guidance		74-75
Schedule of Expenditures of Federal Awards	VII	76
Notes to Schedule of Expenditures of Federal Awards		77
Schedule of Findings and Questioned Costs	VIII	78-80
OTHER DISCLOSURES		81

(This page intentionally left blank.)

State of New Mexico
 New Mexico Junior College
 Office Roster
 June 30, 2016

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. Kelvin Sharp	President
Dan Hardin	Vice-President for Finance
Dr. Dennis Atherton	Vice-President for Instruction
Phillip Roybal	Vice-President for Student Services
Jeff McCool	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

INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the fiduciary fund of New Mexico Junior College (the "College"), as of and for the year ended June 30, 2016, 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, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 the College, as of June 30, 2016, 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 the management's discussion and analysis on pages 10 through 15, and Supporting Schedules I and II on pages 52 and 53 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 Department 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

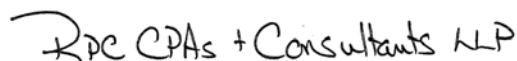
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements and the budgetary comparisons. The introductory section, the Schedule of Expenditures of Federal Awards as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Schedules III through VI required by section 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 Schedules III through V 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and Supporting Schedules III through V required by section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and Schedule VI 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



RPC CPAs + Consultants, LLP
Albuquerque, NM
November 9, 2016

(This page intentionally left blank.)

FINANCIAL SECTION

State of New Mexico
New Mexico Junior College
Management's Discussion and Analysis
June 30, 2016

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 2016.

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, 2016. This discussion gives a comparative analysis of business-type activity from fiscal year 2015 to fiscal year 2016.

Financial Highlights

The College's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the June 30, 2016 fiscal year by \$69,956,869.

The College's financial position decreased in 2015/2016 as compared to prior years. Net position decreased during the year by \$391,201 over the previous year. The decrease resulted primarily from a decrease in local mill levy funding.

The College's investments reflect \$10,593,127 at June 30, 2016, 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, 2016, and includes the comparison to the prior year.

State of New Mexico
New Mexico Junior College
Management's Discussion and Analysis
June 30, 2016

Statement of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016 NMJC Foundation</u>
Assets:			
Current assets	\$ 23,194,918	\$ 23,402,819	\$ 835,556
Capital assets, net	75,992,912	72,747,639	-
Noncurrent assets-			
Intangible asset			75,000
Investments	-	-	6,731,810
Capital assets, net			46,919
Restricted cash	-	-	-
Deferred Outflows	3,965,619	2,402,183	-
Total assets and deferred outflows	<u>\$ 103,153,449</u>	<u>\$ 98,552,641</u>	<u>\$ 7,689,285</u>
Liabilities:			
Current liabilities	\$ 6,176,377	\$ 3,114,876	\$ 119,620
Non-current liabilities	26,585,822	22,699,527	-
Deferred inflows	434,381	2,390,168	-
Total liabilities and deferred inflows	<u>33,196,580</u>	<u>28,204,571</u>	<u>119,620</u>
Net Position:			
Net investment in capital assets	75,992,912	72,747,639	46,919
Restricted:			
Nonexpendable endowments	-	-	5,568,035
Expendable grants, bequests and contributions	-	-	1,777,957
Expendable future debt service requirements	-	-	-
Unrestricted net position	(6,036,043)	(2,399,569)	176,754
Total net position	<u>\$ 69,956,869</u>	<u>\$ 70,348,070</u>	<u>\$ 7,569,665</u>

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of the College's financial position. For the College, assets exceeded liabilities by \$70,348,070 at the close of June 30, 2015, as compared to the \$69,956,869 as of June 30, 2016. As of June 30, 2016, net position consists of investment of capital assets (e.g. land, building, and equipment), net of related debt in the amount of \$75,992,912. The College uses these capital assets in its mission to provide postsecondary educational services to the College's service area; consequently, these assets are not available for future spending. Net capital assets increased in the 2016 fiscal year by \$3,245,273, net of depreciation expense of \$3,830,039. Net Position also consists of unrestricted net position of (\$6,036,043). The negative unrestricted Net Position is due to the College's implementation of GASB 68 and the recording of net pension liability of \$26,574,937. 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.

State of New Mexico
New Mexico Junior College
Management's Discussion and Analysis
June 30, 2016

The following table summarizes the College's revenues, expenses, and changes in net position for the year ending June 30, 2016 and includes a comparison to the year ended June 30, 2015.

Revenues, Expenses and Changes in Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016 NMJC Foundation</u>
Operating revenues	\$ 9,778,858	\$ 9,008,718	\$ 755,262
Operating expenses	<u>37,604,410</u>	<u>36,519,957</u>	<u>314,250</u>
Operating (loss) income	(27,825,552)	(27,511,239)	441,012
Non-operating revenues and expenses	<u>26,691,126</u>	<u>29,272,803</u>	<u>(105,050)</u>
Income before other revenue	(1,134,426)	1,761,564	335,962
Capital appropriations	<u>743,225</u>	<u>2,891,312</u>	<u>-</u>
Increase (decrease) in net position	<u><u>\$ (391,201)</u></u>	<u><u>\$ 4,652,876</u></u>	<u><u>\$ 335,962</u></u>

Analysis of Changes in Net Position

Before consideration of the restatement for GASB 68 implementation, the College's Net Position decreased by \$391,201 during the 2016 fiscal year as compared to an increase of \$4,652,876 for the 2015 fiscal year. Operating revenues were \$9,778,858 in 2016, which is an increase of \$770,140 from fiscal year 2015. Operating expenses were \$37,604,410 in fiscal year 2016, which is an increase of \$926,900 from fiscal year 2015.

Operating Revenues

The following table summarizes the College's operating revenues of \$9,778,858 for the fiscal year ended June 30, 2016, as compared to the operating revenues of \$9,008,718 in 2015. Fiscal year 2016 reflects an increase in revenues from student tuition and fees, federal grants and contracts, state and other grants and contracts, auxiliary enterprises and a decrease in intercollegiate athletics. New Mexico Junior College Foundation revenues for the year total \$755,262, which is an increase over fiscal year 2015.

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016 NMJC Foundation</u>
Student tuition and fees, net	\$ 3,978,598	\$ 3,940,631	\$ -
Federal grants and contracts	1,783,724	1,335,248	-
State and other grants and contracts	947,909	723,534	-
Auxiliary enterprises	2,579,932	2,515,732	-
Intercollegiate athletics	488,695	493,573	-
Gifts, bequests and endowments	<u>-</u>	<u>-</u>	<u>755,262</u>
Total operating revenues	<u><u>\$ 9,778,858</u></u>	<u><u>\$ 9,008,718</u></u>	<u><u>\$ 755,262</u></u>

State of New Mexico
New Mexico Junior College
Management's Discussion and Analysis
June 30, 2016

Operating Expenses

The following table summarizes the College's operating expenses of \$37,604,410 for the fiscal year ended June 30, 2016, as compared to the operating expenses of \$36,519,657 in 2015. The increase in operating expenses is attributed to a 2% compensation increase, the increase in Auxiliary Enterprises and Intercollegiate Athletics, and filling of vacant position from 2015. New Mexico Junior College Foundation expenses for the year were \$314,250.

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u> <u>NMJC Foundation</u>
Instruction	\$ 10,253,592	\$ 10,435,795	\$ -
Academic support	2,762,047	2,359,757	-
Student services	3,601,400	2,741,533	-
Institutional support	4,831,530	4,555,208	314,250
Operations and maintenance	3,824,624	3,946,527	-
Depreciation	3,912,270	3,830,039	-
Renewals and replacements	208,478	943,702	-
Student aid	3,483,128	3,828,325	-
Public service	166,822	151,608	-
Intercollegiate athletics	1,605,636	1,422,682	-
Auxiliary enterprises	2,774,523	2,304,781	-
Internal service	157,553	-	-
Private grants	22,807	-	-
	<u>\$ 37,604,410</u>	<u>\$ 36,519,957</u>	<u>\$ 314,250</u>

Non-Operating Revenues (Expenses)

The following table summarizes the College's non-operating revenues (expenses) of \$26,691,126 for the fiscal year ended June 30, 2016. Local appropriations decreased \$2,165,511 however local appropriations were higher than the budget level approved by the governing board. There were no significant or unexpected changes in the other areas of non-operating revenues and expenses.

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u> <u>NMJC Foundation</u>
Property taxes	\$ 8,116,993	\$ 7,406,600	\$ -
Oil and gas taxes	9,693,016	12,568,920	-
Federal pell grants	2,418,379	2,527,174	-
State appropriations, non-capital	6,192,800	6,189,467	-
Other revenue sources	288,985	617,358	-
Investment income	33,142	21,444	(124,560)
Interest on capital related debt	-	(31,602)	-
Loss on sale of capital assets	(52,189)	(26,558)	-
Production taxes	-	-	(1,650)
Royalties	-	-	21,160
	<u>\$ 26,691,126</u>	<u>\$ 29,272,803</u>	<u>\$ (105,050)</u>

State of New Mexico
 New Mexico Junior College
 Management's Discussion and Analysis
 June 30, 2016

Increase in Net Position

The following table summarizes the College's increase in net position of \$4,652,876 for June 30, 2015 compared to the decrease in Net Position of \$391,201 for June 30, 2016.

	June 30, 2016	June 30, 2015	June 30, 2016 NMJC Foundation
Income before capital appropriations	\$ (1,134,426)	\$ 1,761,564	\$ 335,962
Capital appropriations	743,225	2,891,312	-
Increase (decrease) in Net Position	(391,201)	4,652,876	335,962
Net position - beginning of year	70,348,070	87,988,441	7,233,703
Net position, restatement (Note 17)	-	(22,293,247)	-
Net position, beginning as restated	70,348,070	65,695,194	7,233,703
Net position - end of year	<u>\$ 69,956,869</u>	<u>\$ 70,348,070</u>	<u>\$ 7,569,665</u>

Capital Assets and Debt Administration

At June 30, 2016, the College had \$75,992,912 invested in capital assets as compared to \$72,747,639 at June 30, 2015. The Foundation had \$46,919 for radio equipment.

Capital Assets, Net

	June 30, 2016	June 30, 2015	June 30, 2016 NMJC Foundation
Land Improvements	\$ 2,621,515	\$ 2,732,535	\$ -
Buildings	45,180,687	46,127,926	-
Infrastructure	16,468,634	11,408,894	-
Software	1,150,030	1,294,923	-
Library books	407,082	410,934	-
Furniture and equipment	2,046,113	2,022,847	46,919
Automobiles	463,782	637,457	-
Construction in progress	7,446,806	7,903,860	-
Land	208,263	208,263	-
Net capital assets	<u>\$ 75,992,912</u>	<u>\$ 72,747,639</u>	<u>\$ 46,919</u>

Major capital expenditures during the 2016 fiscal year include the Infrastructure Renewal and Upgrade project, the Health & Wellness Learning Center project, the Entertainment Technology Renovation project, the Rodeo Arena Improvement project, the Allied Health Building project, the Mansur Hall Upgrades project, and various landscaping projects and equipment purchases.

The College has no debt outstanding at June 30, 2016.

State of New Mexico
 New Mexico Junior College
 Management's Discussion and Analysis
 June 30, 2016

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):

	2016	2015
Current funds		
Unrestricted	2.09	3.2
Restricted	0.78	0.02
Plant funds	<8.15>	<3.80>

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 leveled off and was remaining somewhat level. Expectations from the State Legislative Finance Committee are that the State Funding is projected to decline. The local economy in Lea County has been strong for several years, but as oil prices tumbled, the local economy slowed and the College saw layoffs happening with many of the large companies. From what we can determine the local economy in 2017 will stay soft, but there is some optimism for a rebound in the price of oil in 2017.

The unemployment rate in Lea County has been increasing to a level over 9% while the State unemployment level is around 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 oil prices will slowly move up increasing the drilling that will help to keep production at a stable level. 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 retired all debt; this placed the College in a position to weather most funding issues.

State of New Mexico
New Mexico Junior College
Statement of Net Position
June 30, 2016

	Primary Government	NMJC Foundation
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,002,339	\$ 831,367
Short-term investments	10,593,127	-
Accounts receivable, net	3,236,683	4,189
Inventory	666,591	-
Prepaid expenses	542,124	-
Prepaid summer expenses	154,054	-
Total current assets	23,194,918	835,556
Non-current assets:		
Intangible asset	-	75,000
Investments	-	6,731,810
Capital assets, net	75,992,912	46,919
Total non-current assets	75,992,912	6,853,729
Total assets	99,187,830	7,689,285
Deferred outflows:		
Deferred outflows - employer contributions subsequent to the measurement date	1,654,037	-
Deferred outflows - changes of assumptions	914,053	-
Deferred outflows - net difference between projected and actual earnings on pension plan investments	243,340	-
Deferred outflows - change in proportion and differences between contributions and proportionate share of contributions	1,154,189	-
Total deferred outflows	3,965,619	-
Total assets and deferred outflows	\$ 103,153,449	\$ 7,689,285
Liabilities and Net Position		
Current liabilities:		
Accounts payable	\$ 3,615,930	28,954
Accrued expenses	1,116,529	-
Unearned revenues	1,147,102	90,666
Compensated absences	296,816	-
Total current liabilities	6,176,377	119,620
Non-current liabilities:		
Compensated absences	10,885	-
Net pension liability	26,574,937	-
Total non-current liabilities	26,585,822	-
Deferred inflows:		
Deferred inflows - differences between expected and actual experience	434,381	-
Total deferred inflows	434,381	-
Total liabilities and deferred inflows	33,196,580	119,620
Net position:		
Net investment in capital assets	75,992,912	46,919
Restricted for:		
Nonexpendable endowments	-	5,568,035
Expendable grants and contributions	-	1,777,957
Unrestricted	(6,036,043)	176,754
Total net position	69,956,869	7,569,665
Total liabilities and net position	\$ 103,153,449	\$ 7,689,285

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

State of New Mexico
New Mexico Junior College
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016

	Primary Government	NMJC Foundation
Operating revenues:		
Student tuition, fees and trainings	\$ 3,978,598	\$ -
Federal grants and contracts	1,783,724	-
State and other grants and contracts	947,909	-
Auxiliary enterprises	2,579,932	-
Intercollegiate athletics	488,695	-
Gifts, bequests and endowments	-	755,262
Total operating revenues	9,778,858	755,262
Operating expenses:		
Instruction	10,253,592	-
Academic support	2,762,047	-
Student services	3,601,400	-
Institutional support	4,831,530	302,520
Operations and maintenance	3,824,624	-
Public service	166,822	-
Auxiliary enterprise expenses	2,774,523	-
Intercollegiate athletics	1,605,636	-
Internal service	157,553	-
Student aid	3,483,128	-
Private grants	22,807	-
Renewals and replacements	208,478	-
Depreciation	3,912,270	11,730
Total operating expenses	37,604,410	314,250
Operating loss	(27,825,552)	441,012
Non-operating revenues (expenses):		
Property taxes	8,116,993	-
Oil and gas taxes	9,693,016	-
Federal pell grants	2,418,379	-
State appropriations, non-capital	6,192,800	-
Other revenue and expenses	288,985	-
Investment income (loss)	33,142	(124,560)
Loss on sale of capital assets	(52,189)	-
Production taxes	-	(1,650)
Royalties	-	21,160
Net non-operating revenues (expenses)	26,691,126	(105,050)
Income before capital appropriations	(1,134,426)	335,962
State appropriations, capital	743,225	-
Change in net position	(391,201)	335,962
Net position, beginning of year	70,348,070	7,233,703
Net position, end of year	\$ 69,956,869	\$ 7,569,665

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

State of New Mexico
New Mexico Junior College
Statement of Cash Flows
For the Year Ended June 30, 2016

	Primary Government
Cash flows from operating activities:	
Tuition, fees and trainings	\$ 3,487,345
Federal and state grants and contracts	3,470,349
Auxiliary enterprise charges	2,579,932
Intercollegiate athletics	488,695
Payments to employees and for employee benefits	(20,112,167)
Disbursement of net aid to students	(3,992,613)
Payments to suppliers	(7,832,872)
Net cash used by operating activities	(21,911,331)
Cash flows from noncapital financing activities:	
State appropriations	6,192,800
Federal pell grants	2,418,379
Property taxes	8,469,128
Oil and gas taxes	11,646,542
Net cash provided by noncapital financing activities	28,726,849
Cash flows from capital financing activities:	
Other revenue sources	288,985
Capital appropriations	743,225
Net cash provided by capital financing activities	1,032,210
Cash flows from investing activities:	
Purchase of capital assets	(7,209,732)
Interest received	33,142
Net cash used by investing activities	(7,176,590)
Net increase in cash and cash equivalents	671,138
Cash and cash equivalents - beginning of year	17,924,328
Cash and cash equivalents - end of year	\$ 18,595,466
Reconciliation to Statement of Net Position	
Cash and cash equivalents	\$ 8,002,339
Short-term investments	10,593,127
Cash and cash equivalents - end of year	\$ 18,595,466
Operating Loss	\$ (27,825,552)
Reconciliation of operating loss to net cash used by operating activities:	
Depreciation expense	3,912,270
Net pension expense	464,452
Changes in assets and liabilities:	
Accounts receivable, net	(1,334,592)
Prepaid expenses	(234,238)
Prepaid summer expenses	2,595
Inventory	139,613
Accounts payable	2,851,716
Accrued expenses	24,905
Unearned revenues	100,114
Compensated absences	(12,614)
Net cash used by operating activities	\$ (21,911,331)
Supplemental cash flow information	
Loss on sale of capital assets	\$ (52,189)

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

State of New Mexico
New Mexico Junior College
Statement of Fiduciary Assets and Liabilities
June 30, 2016

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 416,254
Total assets	\$ 416,254
LIABILITIES	
Accounts payable	\$ 16,357
Due to student organizations	399,897
Total liabilities	\$ 416,254

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

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

New Mexico Junior College (the College) was established in 1965, in accordance with laws of the State of New Mexico to serve the needs of the residents of Lea County, New Mexico. The College has grown into a comprehensive community college. New Mexico Junior College (NMJC) offers a variety of educational opportunities and services to meet needs in the lifelong process of personal and professional development. NMJC offers programs for students to develop basic academic skills for successful post-secondary study; courses and programs that prepare individuals for employment, career updating, and job advancement; the first two years of study for those seeking transfer to a four-year college; public service activities, including workshops, seminars, forums, and cultural arts programs; comprehensive student development services which provide student support and assistance; and courses for personal growth and cultural enrichment. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.

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

During the year ended June 30, 2016, the College adopted GASB Statements No. 72, *Fair Value Measurement and Application*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 79, *Certain External Investment Pools and Pool Participants*, and a portion of 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*. GASB Statements Nos. 72, 76, and a portion of 79, as well as the implemented portion of Statement No. 73, are required to be implemented for the fiscal year ending June 30, 2016.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement is effective for June 30, 2016 year end and a portion is effective for June 30, 2017 year end. Effective for June 30, 2016 are the amendments for Statement No.s 67 and 68 and assets accumulated for pensions not administered as trusts. The amendments of this pronouncement clarifies application of certain provisions of GASB 67 and 68 with regards to the following issues: (1) Information that is required to be presented as notes to the 10-year schedules of RSI about investment-related factors that significantly affect trends in reported amounts; (2) Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions; and (3) Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, effective for June 30, 2016 year ends, the requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that, for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

The objective of GASB Statement No. 76 is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. A portion of this pronouncement is effective for June 30, 2016 year end and a portion is effective for June 30, 2017 year end. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool for measuring all of its investments at amortized cost for financial reporting purposes. Professional judgement is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide for qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

The objective of GASB Statement No. 82 is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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.

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.

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Basis of Accounting

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

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

5. Management's Estimates and Assumptions

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

6. Cash and Cash Equivalents and Statement of Cash Flows

For purposes of the statement of cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Immediate cash needs are met with resources deposited at the College's bank. Cash resources not used are swept nightly and invested overnight. Cash resources not needed to meet immediate needs are invested with the New Mexico State Treasurer's Office short-term investment pool (LGIP). Amounts invested with the State Treasurer's LGIP are readily available to the College when needed and are recorded at cost which approximates fair value.

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, 2016, the amount of cash and cash equivalents reported on the financial statements differs from the amount on deposit with the various financial institutions because of transactions in transit and outstanding checks.

7. Receivables

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

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$8,116,993 or 22% of total revenue in fiscal year 2016. Oil and gas production and equipment tax revenue fluctuates significantly upon demand and was \$9,693,016 or 26% of total revenue in fiscal year 2016.

14. Net position

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

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

Restricted:

Nonexpendable: Net position subject to externally imposed conditions that the College retain them in perpetuity. All amounts for the primary government (if applicable) that are restricted in the statement of net position are considered restricted by enabling legislation.

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

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

15. Revenue Recognition for Derived Tax Revenues

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

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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).

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2016.

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

New Mexico State Statutes require collateral pledged to be delivered for securities underlying an overnight repurchase agreement, or a joint safekeeping receipt be issued to the College for at least 102% of the fair value of the securities underlying overnight repurchase accounts invested with the institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

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

All of the College's accounts at an insured depository institution, including non-interest bearing accounts are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

State of New Mexico
 New Mexico Junior College
 Notes to the Financial Statements
 June 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2016, \$2,208,608 of the College's bank balances of \$2,706,210 was exposed to custodial credit risk. \$1,105,829 was uninsured and collateralized by the collateral held by the pledging bank's trust department, not in the College's name. \$1,102,779 of the College's deposits were uninsured and uncollateralized at June 30, 2016.

	Lea County State Bank	Wells Fargo Bank	Western Commerce Bank	Total
Total amount of deposits	\$ 222,527	\$ 2,458,608	\$ 25,075	\$ 2,706,210
Deposit accounts covered by the FDIC coverage	(222,527)	(250,000)	(25,075)	(497,602)
Total uninsured public funds	-	2,208,608	-	2,208,608
Collateralized by securities held by the institution or by its trust department or agent other than the College's name	-	1,105,829	-	1,105,829
Uninsured and uncollateralized	-	1,102,779	-	1,102,779
Collateral requirement (50% of uninsured public funds)	-	1,104,304	-	1,104,304
Pledged security	1,825,778	1,105,829	-	2,931,607
Over collateralization	\$ 1,825,778	\$ 1,525	\$ -	\$ 1,827,303

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

Investments

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

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

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

	Wells Fargo Bank
Total amount of deposits	\$ 5,840,476
Deposit accounts covered by the FDIC coverage	-
Total uninsured public funds	5,840,476
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the College's name	5,840,476
Uninsured and uncollateralized	\$ -
Collateral requirement (102% of uninsured public funds)	\$ 5,957,286
Pledged security	5,957,286
Over collateralization	\$ -

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The New Mexico Junior College does not have a policy to manage the credit risk of its investments. As of June 30, 2016, all of the deposits in the overnight repurchase account were subject to custodial credit risk, however, the entire amount was collateralized by collateral held by the pledging bank's trust department, not in the College's name.

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

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, 2016, 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.

State of New Mexico
 New Mexico Junior College
 Notes to the Financial Statements
 June 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Credit Quality and Interest Rate Risk

<u>Investment Type</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
<i>New MexiGROW</i> LGIP	77 day-WAM (F) and 44 day- WAM (R)	\$ 10,593,127	AAAm

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, 2016, other than investments in the State Treasurer’s *New MexiGROW* LGIP. Therefore, they are not subject to any concentration of credit risk.

Fair Value Measurement

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

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

- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
 If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

The College maintained a balance of \$10,593,127 in LGIP at year end which required fair value disclosure.

The following table sets forth by level within the fair value hierarchy, the College’s assets at fair value as of June 30, 2016:

<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
\$ 10,593,127	\$ 10,593,127	\$ -	\$ -

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 \$17,924,328.

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

Deposits and overnight repurchase	\$ 8,546,686
<i>New MexiGROW</i> LGIP	10,593,127
Total deposits and investments	<u>19,139,813</u>
Petty cash	5,856
Add reconciling items	<u>(133,949)</u>
Total cash and cash equivalents and investments	<u>\$ 19,011,720</u>
Statement of Net Position:	
Cash and cash equivalents	\$ 8,002,339
Short-term investments	<u>10,593,127</u>
Cash and cash equivalents, end of year per statement of cash flows	18,595,466
Statement of Fiduciary Assets and Liabilities:	
Cash and cash equivalents	<u>416,254</u>
Net deposits and investments	<u>\$ 19,011,720</u>

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

NOTE 3 – ACCOUNTS RECEIVABLE

The College's accounts receivable at June 30, 2016 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	\$ 352,135
Oil and gas taxes	1,953,526
General receivables	211,885
Student receivables	1,610,874
Other taxes receivable	92,423
	<u>4,220,843</u>
Less allowance for uncollectible accounts	<u>(984,160)</u>
Net total accounts receivable	<u>\$ 3,236,683</u>

NOTE 4 – ACCRUED EXPENSES

The College's accrued expenses at June 30, 2016 are as follows:

Payroll	\$ 515,330
Payroll taxes and related liabilities	<u>601,199</u>
Total accrued expenses	<u>\$ 1,116,529</u>

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

NOTE 5 – CAPITAL ASSETS

The following table summarizes the changes in the College’s capital assets during the fiscal year ended June 30, 2016:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Assets not being depreciated:				
Construction in progress	\$ 7,903,860	\$ 5,241,036	\$ 5,698,090	\$ 7,446,806
Land	208,263	-	-	208,263
	<u>8,112,123</u>	<u>5,241,036</u>	<u>5,698,090</u>	<u>7,655,069</u>
Assets being depreciated:				
Land improvements	6,214,551	201,394	-	6,415,945
Buildings	68,119,021	607,728	45,934	68,680,815
Infrastructure	14,668,528	5,780,763	-	20,449,291
Software	2,177,465	-	-	2,177,465
Library books	1,278,318	175,979	555,521	898,776
Furniture and equipment	10,419,667	900,922	168,860	11,151,729
Automobiles	1,776,883	-	-	1,776,883
	<u>104,654,433</u>	<u>7,666,786</u>	<u>770,315</u>	<u>111,550,904</u>
Totals	<u>112,766,556</u>	<u>12,907,822</u>	<u>6,468,405</u>	<u>119,205,973</u>
Less accumulated depreciation:				
Land improvements	3,482,016	312,414	-	3,794,430
Buildings	21,991,095	1,554,967	45,934	23,500,128
Infrastructure	3,259,634	721,023	-	3,980,657
Software	882,542	144,893	-	1,027,435
Library books	867,384	143,996	519,686	491,694
Furniture and equipment	8,396,820	861,302	152,506	9,105,616
Automobiles	1,139,426	173,675	-	1,313,101
	<u>40,018,917</u>	<u>3,912,270</u>	<u>718,126</u>	<u>43,213,061</u>
Net capital assets	<u>\$ 72,747,639</u>	<u>\$ 8,995,552</u>	<u>\$ 5,750,279</u>	<u>\$ 75,992,912</u>

Depreciation expense as of June 30, 2016 was \$3,912,270. The College recognized a loss of \$52,189 from the sale of 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.

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

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, 2016, 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, 2016, 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, 2016, 2015, and 2014 were \$264,696, \$250,950 and \$252,154, respectively, which equal the required contributions for each year.

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

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%.

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

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

All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. 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, 2015 employers contributed 13.90% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. For fiscal year ended June 30, 2016 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the College was \$1,654,037 for the year ended June 30, 2016.

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, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. At June 30, 2016, the College reported a liability of \$26,574,937 respectively 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, 2015. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2015, the College's proportion was 0.41028 percent, which was an increase of 0.01434 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the College recognized pension expense of \$464,452. At June 30, 2016, the College and component unit reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 434,381
Net difference between projected and actual earnings on pension plan investments	243,340	-
Changes of assumptions	914,053	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,154,183	-
Employer contributions subsequent to the measurement date	1,654,037	-
Total	\$ 3,965,613	\$ 434,381

\$1,654,037 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date of June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	(662,379)
2018	(614,721)
2019	(230,984)
2020	(369,100)
2021	(11)
Thereafter	-

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

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

State of New Mexico
 New Mexico Junior College
 Notes to the Financial Statements
 June 30, 2016

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

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

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

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. ERB’s investment allocation policy was reviewed and amended by the Board of Trustees on June 14, 2014. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following schedule shows the current asset allocation policy adopted June 14, 2014 as well as the prior allocation policy targets.

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

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

Comparative Schedule of Target Investment Allocation

<u>Asset Class</u>	<u>Target Allocation</u>	
	<u>After 6/14/2014</u>	<u>Prior to 6/14/2014</u>
Equities		
<i>Domestic Equities</i>		
Large cap equities	18%	20%
Small- mid cap equities	2%	2%
<i>International Equities</i>		
Developed	5%	5%
Emerging markets	10%	10%
Total equities	<u>35%</u>	<u>37%</u>
Fixed Income		
Opportunistic credit	20%	20%
Core bonds	6%	7%
Emerging market debt	2%	2%
Total fixed income	<u>28%</u>	<u>29%</u>
Alternatives		
Real estate - REITS	7%	5%
Real assets	8%	7%
Private equity	11%	8%
Absolute return	0%	3%
Global asset allocation	5%	5%
Risk parity	5%	5%
Total alternatives	<u>36%</u>	<u>33%</u>
Cash	<u>1%</u>	<u>1%</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>

For the years ended June 30, 2015 and 2014, the annual money-weighted rates of return on pension plan investments were for each asset class above 4.06% and 14.71%, respectively.

State of New Mexico
 New Mexico Junior College
 Notes to the Financial Statements
 June 30, 2016

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, 2015 and June 30, 2014. 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 2015. 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	\$ 35,758,341	\$ 26,574,937	\$ 18,859,905

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, 2015 and June 30, 2014 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.

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.

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

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.

On September 4, 2015, the City of Hobbs entered into a MOU for the design, construction, operation, and joint use of a health wellness and learning center (HWLC) with the New Mexico Junior College (NMJC), the Board of Education of Hobbs Municipal School District (District), and Lea County (County). The total estimated cost of the design and construction of the HWLC is \$61,000,000. NMJC has committed \$5,000,000 for the proceeds of the general obligation bonds approved by the voters in New Mexico in November of 2015, subject to approval of the contributions by the New Mexico Higher Education Department towards the cost to design and construction of HWLC. \$50,000 of the bond proceeds must be spent in Art in Public Places. An additional \$5,000,000 was committed towards the cost of design and construction of the HWLC from mill levy funds. NMJC will also contribute to the ongoing maintenance and repair of the HWLC.

Once the HWLC is completed, the parties will share in the cost of utilities and maintenance of the HWLC and the use of the HWLCC will be shared by the parties in accordance with the MOU. The costs of the programs and activities that the City of Hobbs, NMJC, and the District conduct at the HWLC will be paid by the sponsoring entity and will not be shared.

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

Commencing on July 1, 2019, and on the first day of July thereafter, NMJC, the Districts' and the City of Hobbs' facility contribution shall be increased by the percentage increase in the CPI from the prior July 1st, but in no event greater than five (5%) percent in any one year. The City of Hobbs is the fiscal agent for the HWLC project and there were \$4,175,282 in design costs incurred since the inception of the project through fiscal year ending June 30, 2016. Reimbursement owed to the City of Hobbs by NMJC totaled \$3,059,374 at June 30, 2016. There were no contributions received from NMJC or the District during fiscal year ending June 30, 2016.

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

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

Nature of Operations

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

Basis of Accounting

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

Net Position

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

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

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

Tax Status

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

Effective October 1, 2009, the Foundation adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2016, the Foundation has no material uncertain tax positions to be accounted for in the financial statements under the new rules. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense and penalties expense, respectively. The Foundation is generally no longer subject to examination by the Internal Revenue Service for years before 2013.

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

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

Intangible Assets

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

Capital Assets

Equipment for the radio station is recorded at fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the equipment, generally 5 to 7 years for equipment.

Cash and Cash Equivalents

The Foundation maintains cash balances in a local bank and an investment company. These cash balances are insured by the Federal Deposit Insurance Corporation up to the standard maximum depositions insurance amount of \$250,000 for each demand deposit account. As of June 30, 2016, the Foundation's uninsured cash deposits total was \$0.

As of June 30, 2016, there were no balances in excess of insurance coverage.

	First American Bank	Merrill Lynch	Wells Fargo Bank	Total
Total amount of deposits	\$ 189,792	\$ 394,458	\$ 248,344	\$ 832,594
Deposit accounts covered by the FDIC coverage	(189,792)	(250,000)	(248,344)	(688,136)
Deposit accounts covered by the SIPC coverage	-	(144,458)	-	(144,458)
Total uninsured public funds	-	-	-	-
Collateralized by securities held by the institution or by its trust department or agent other than the Foundation's name	-	-	-	-
Uninsured and uncollateralized	-	-	-	-
Collateral requirement (50% of uninsured public funds)	-	-	-	-
Pledged security	-	-	-	-
Over collateralization	\$ -	\$ -	\$ -	\$ -

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the College's or the Foundation's investment in a single type of security. The College and the Foundation do not have a formal policy to address concentration of credit risk. The following represents the concentration of credit risk regarding the investments of the Foundation at June 30, 2016:

<u>Investment</u>	<u>Market Value</u>	<u>Percent of Foundation's Investment</u>
Equities	\$ 293,085	4.4%
Mutual funds	6,419,142	95.4%
Royalty Interest	19,583	0.3%
Total Foundation investments	<u>\$ 6,731,810</u>	<u>100.0%</u>

The following table sets forth by level within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2016:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 293,085	\$ 293,085	\$ -	\$ -
Mutual funds	6,419,142	6,419,142	-	-
Royalty interest	19,583	19,583	-	-
	<u>\$ 6,731,810</u>	<u>\$ 6,731,810</u>	<u>\$ -</u>	<u>\$ -</u>

Receivables

The Foundation considers receivables to be 100% collectible; therefore no allowance has been made for uncollectible amounts. The receivable at June 30, 2016 consists of the following:

Golf tournament fundraising pledges receivable	\$ 3,252
Royalty income receivable	<u>937</u>
Accounts receivable	<u>\$ 4,189</u>

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net position unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. On April 8th, 2015, the Foundation received a donation of radio station equipment. The total net value of donated radio station equipment is \$46,919. Depreciation expense for the year ended June 30, 2016 for this equipment was \$11,730.

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

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

Intangible Asset

On April 8th, 2015 the Foundation also entered into an agreement with a company that donated a license for a FM Broadcast Station in Eunice, New Mexico valued at \$75,000 at the date of donation. A license is carried at cost, and because it has indefinite useful life it is not amortized, but tested for impairment when events or circumstances related to the license changes. No impairments were noted during 2016 as the original cost could be recovered if necessary.

Institutional Support

The Foundation provided the following institutional support to the College during the year ended June 30, 2016:

Scholarships	\$ 190,960
Program assistance	36,746
Administrative support	24,211
Other	10,005
Work-study	19,807
Fundraising expenses	18,791
Awards	<u>2,000</u>
Total institutional support	<u>\$ 302,520</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.

NOTE 13 – COMMITMENTS

The College has commitments as of June 30, 2016 for the following:

<u>Vendor</u>	<u>Project Description</u>	<u>Amount</u>
City of Hobbs	Reimbursement of expenditures for planning, design, & construction of Health, Wellness, and Learning Center Project	\$ 7,206,997
Cooperative Educational Services	DPS Allied Health Building Design	494,778
Cooperative Educational Services	Upgrade shower stalls on top floor of Dorms	277,729
Cooperative Educational Services	NMJC Fiber Backbone Upgrade	125,143
Premier Exhibition Mgmt, LLC	Exhibit of "Titanic: The Artifact Exhibition"	75,000
University of New Mexico	Evaluation of TAACCCT Grant	72,594
Cooperative Educational Services	Replace hot water storage	51,590
Cooperative Educational Services	DPS architectural services for renovation of Bob Moran Hall to accommodate the NMJC Entertainment Technology Program	46,290
Cincinnati Museum Center	Present and display the traveling exhibition "In the Dark"	36,000
Hungry Horse, LLC	Install all supports, conduit, J hooks in McLean Hall	24,095
American Museum of Natural History	Dinosaur Discoveries: Ancient Fossils, New Ideas	<u>12,500</u>
		<u>\$ 8,422,714</u>

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

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, 2016 as follows:

Accrued vacation – beginning of year	\$ 320,315
Additions	284,202
Deletions	<u>(296,816)</u>
Accrued vacation – end of year	<u>\$ 307,701</u>

The College estimates that \$296,816 will be due within one year.

NOTE 15 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

A. Deficit equity

The College does not maintain a deficit equity position.

B. Excess of expenditures over appropriations.

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

C. Designated cash appropriation in excess of available balances.

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

NOTE 16 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2016, have been evaluated for possible adjustment to the financial statements or disclosures is November 9, 2016. No other events occurring after June 30, 2016 necessitate adjustment to the financial statements or disclosure in the notes.

NOTE 17 – SUBSEQUENT PRONOUNCEMENTS

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 standard will be implemented during the fiscal year ended June 30, 2018. The College expects this pronouncement to have a material effect on the financial statements.

State of New Mexico
New Mexico Junior College
Notes to the Financial Statements
June 30, 2016

NOTE 17 – SUBSEQUENT PRONOUNCEMENTS (continued)

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 standard will be implemented during the fiscal year ended June 30, 2017. 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 will implement this standard during the fiscal year ended June 30, 2017. The College is still evaluating how this pronouncement will affect the financial statements.

In December 2015, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

In January 2016, GASB Statement No. 80 *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

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

In March 2016, GASB Statement No. 82 *Pension Issues-an amendment of GASB Statement No. 67, No. 68, and No.73*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

NOTE 18 – CONCENTRATIONS

The College depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the College is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

State of New Mexico
 New Mexico Junior College
 Notes to the Financial Statements
 June 30, 2016

NOTE 19 – LEGISLATIVE GRANTS

The College had the following legislative grants funded by Severance Tax Bonds (STB) and General Obligation Bonds (GOB) as of June 30, 2016:

Project	Agency	Grant #	Effective Date	Reversion Date
NMJC Health & Wellness Learning Center	Higher Education Department	GOB 14-1298	4/15/2015	6/30/2018
NMJC Allied Health Building	Higher Education Department	STB 15-0961	9/8/2015	6/30/2016

Project	Expenditures to			
	Net Amount	Date	Reverted	Remaining
NMJC Health & Wellness Learning Center	\$ 4,950,000	\$ -	\$ -	\$ 4,950,000
NMJC Allied Health Building	697,950	52,878	-	645,072
	<u>\$ 5,647,950</u>	<u>\$ 52,878</u>	<u>\$ -</u>	<u>\$ 5,595,072</u>

(This page intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule I

	2016 Measurement Date (As of and for the Year Ended June 30, 2015)	2015 Measurement Date (As of and for the Year Ended June 30, 2014)
Proportion of the net pension liability (asset)	0.41028%	0.39594%
Proportionate share of the net pension liability (asset)	\$ 26,574,937	\$ 22,591,262
Covered employee payroll	<u>13,510,416</u>	<u>12,550,181</u>
Proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	<u>196.70%</u>	<u>180.01%</u>
Plan fiduciary net position as a percentage of the total pension liability	63.97%	66.54%

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

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

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

Schedule II

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

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

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

State of New Mexico
New Mexico Junior College
Notes to Required Supplementary Information
June 30, 2016

Changes of Benefit Terms

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

Changes of Assumptions

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

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

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

Supplementary Information

State of New Mexico
 New Mexico Junior College
 Unrestricted and Restricted - All Operations
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

Statement A-1

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Basis)</u>	<u>(Unfavorable)</u>
				<u>Final to Actual</u>
<i>Beginning fund balance</i>	\$ 13,674,845	\$ 20,183,222	\$ 20,179,675	\$ (3,545)
<i>Unrestricted and restricted revenues:</i>				
State general fund appropriations	11,626,700	8,326,671	7,424,720	(901,951)
State grants and contracts	415,569	443,661	600,027	156,366
Federal revenue sources	6,543,985	5,705,670	4,849,187	(856,483)
Tuition and fees	3,692,200	3,699,584	3,978,598	279,014
Local funding	14,088,725	16,418,863	17,810,009	1,391,146
Auxiliary enterprises	2,288,000	2,369,413	2,579,932	210,519
Other	447,105	449,926	1,145,800	695,874
Private grants	-	-	22,807	22,807
<i>Total unrestricted and restricted revenues</i>	<u>39,102,284</u>	<u>37,413,788</u>	<u>38,411,080</u>	<u>997,292</u>
<i>Unrestricted and restricted expenditures:</i>				
Instruction	10,427,868	11,097,922	10,033,673	1,064,249
Academic support	2,628,124	2,593,505	2,720,039	(126,534)
Student services	3,526,575	4,362,354	3,531,217	831,137
Institutional support	3,694,568	4,905,100	4,806,668	98,432
Operation and maintenance of plant	3,658,460	3,847,038	3,765,729	81,309
Student social and cultural activities	173,000	173,000	162,570	10,430
Auxiliary services	1,858,486	2,536,144	2,762,584	(226,440)
Intercollegiate athletics	1,157,636	1,582,870	1,598,448	(15,578)
Internal service	85,520	155,121	133,180	21,941
Capital outlay	14,517,118	6,367,184	7,824,337	(1,457,153)
Student aid, grants and stipends	5,658,224	4,102,958	4,221,850	(118,892)
Private grants	-	-	22,807	(22,807)
<i>Total unrestricted and restricted expenditures</i>	<u>47,385,579</u>	<u>41,723,196</u>	<u>41,583,102</u>	<u>140,094</u>
<i>Net transfers</i>	<u>(283,847)</u>	<u>(272,647)</u>	<u>-</u>	<u>272,647</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(8,283,295)</u>	<u>(4,309,408)</u>	<u>(3,172,022)</u>	<u>1,410,033</u>
<i>Ending fund balance</i>	<u>\$ 5,391,550</u>	<u>\$ 15,873,814</u>	<u>\$ 17,007,653</u>	<u>\$ 1,406,488</u>
<i>Change in net position per statement of revenues, expenses and changes in net position</i>			\$ (391,201)	
Capital outlay expenditures capitalized			(7,209,732)	
Net pension			464,452	
Net book value of assets sold			52,189	
Depreciation expense			<u>3,912,270</u>	
<i>Financial statements change in net position reconciled to budgetary basis</i>			<u>\$ (3,172,022)</u>	

See accompanying independent auditors' report.

State of New Mexico
 New Mexico Junior College
 Unrestricted - Non-Instruction and General
 Statements of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

Statement A-2

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Basis)</u>	<u>Favorable (Unfavorable) Final to Actual</u>
<i>Beginning fund balance</i>	\$ 12,475,762	\$ 17,085,996	\$ 17,082,451	\$ (3,545)
<i>Unrestricted revenues:</i>				
Internal service dept	27,000	27,000	12,755	(14,245)
Auxiliary enterprises	2,288,000	2,369,413	2,579,932	210,519
Athletics	487,200	486,746	488,695	1,949
STB/GOB Drawdowns	5,010,000	1,747,141	743,225	(1,003,916)
Other	-	-	186,172	186,172
<i>Total unrestricted revenues</i>	<u>7,812,200</u>	<u>4,630,300</u>	<u>4,010,779</u>	<u>(619,521)</u>
<i>Unrestricted expenditures:</i>				
Internal services	85,520	155,121	133,180	21,941
Student aid, grants and stipends	668,551	733,309	669,980	63,329
Auxiliary services	1,858,486	2,536,144	2,762,584	(226,440)
Intercollegiate athletics	1,157,636	1,582,870	1,598,448	(15,578)
Renewal and replacement	14,517,118	6,367,184	7,824,337	(1,457,153)
<i>Total unrestricted expenditures</i>	<u>18,287,311</u>	<u>11,374,628</u>	<u>12,988,529</u>	<u>(1,613,901)</u>
<i>Net transfers</i>	<u>2,043,661</u>	<u>4,075,551</u>	<u>4,895,539</u>	<u>819,988</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(8,431,450)</u>	<u>(2,668,777)</u>	<u>(4,082,211)</u>	<u>(1,413,434)</u>
<i>Ending fund balance</i>	<u>\$ 4,044,312</u>	<u>\$ 14,417,219</u>	<u>\$ 13,000,240</u>	<u>\$ (1,416,979)</u>

See accompanying independent auditors' report.

State of New Mexico
 New Mexico Junior College
 Restricted - Non-Instruction and General
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

Statement A-3

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	(Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ -	\$ -	\$ -	\$ -
<i>Restricted revenues:</i>				
Public service	173,000	173,000	162,569	(10,431)
Federal student aid	4,827,468	3,177,678	3,216,922	39,244
State student aid	162,205	191,971	338,539	146,568
Private grants	-	-	22,807	22,807
<i>Total restricted revenues</i>	<u>5,162,673</u>	<u>3,542,649</u>	<u>3,740,837</u>	<u>198,188</u>
<i>Restricted expenditures:</i>				
Public service	173,000	173,000	162,570	10,430
Federal student aid	4,827,468	3,177,678	3,213,332	(35,654)
State student aid	162,205	191,971	338,538	(146,567)
Private grants	-	-	22,807	(22,807)
<i>Total restricted expenditures</i>	<u>5,162,673</u>	<u>3,542,649</u>	<u>3,737,247</u>	<u>(194,598)</u>
<i>Net transfers</i>	-	-	(3,590)	(3,590)
<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.

State of New Mexico
 New Mexico Junior College
 Unrestricted - Instruction and General
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

Statement A-4

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	(Unfavorable)
				Final to Actual
<i>Beginning fund balance, as restated</i>	\$ 1,199,083	\$ 3,097,226	\$ 3,097,226	\$ -
<i>Unrestricted revenues:</i>				
Tuition and fees	3,692,200	3,699,584	3,978,598	279,014
State government appropriations	6,129,500	6,092,784	6,192,800	100,016
Local government appropriations	14,088,725	16,418,863	17,810,009	1,391,146
Federal grants and contracts	87,000	116,000	115,323	(677)
Other	247,105	249,926	784,304	534,378
<i>Total unrestricted revenues</i>	<u>24,244,530</u>	<u>26,577,157</u>	<u>28,881,034</u>	<u>2,303,877</u>
<i>Unrestricted expenditures:</i>				
Instruction	10,103,380	10,779,949	9,772,184	1,007,765
Academic support	2,628,124	2,593,505	2,720,039	(126,534)
Student services	1,988,062	2,036,525	2,014,276	22,249
Institutional support	3,694,568	4,905,100	4,806,668	98,432
Operation and maintenance of plant	3,658,460	3,847,038	3,765,729	81,309
<i>Total unrestricted expenditures</i>	<u>22,072,594</u>	<u>24,162,117</u>	<u>23,078,896</u>	<u>1,083,221</u>
<i>Net transfers</i>	<u>(2,327,508)</u>	<u>(4,348,198)</u>	<u>(4,891,949)</u>	<u>(543,751)</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(155,572)</u>	<u>(1,933,158)</u>	<u>910,189</u>	<u>2,843,347</u>
<i>Ending fund balance</i>	<u>\$ 1,043,511</u>	<u>\$ 1,164,068</u>	<u>\$ 4,007,415</u>	<u>\$ 2,843,347</u>

See accompanying independent auditors' report.

(This page intentionally left blank.)

State of New Mexico
 New Mexico Junior College
 Restricted - Instruction and General
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

Statement A-5

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ -	\$ -	\$ -	\$ -
<i>Restricted revenues:</i>				
Federal government contracts/grants	1,629,517	2,411,992	1,516,942	(895,050)
State government contracts/grants	253,364	251,690	261,488	9,798
<i>Total restricted revenues</i>	<u>1,882,881</u>	<u>2,663,682</u>	<u>1,778,430</u>	<u>(885,252)</u>
<i>Restricted expenditures:</i>				
Instruction	324,488	317,973	261,489	56,484
Academic support	19,880	19,880	-	19,880
Student services	1,526,461	2,313,777	1,516,941	796,836
Institutional support	12,052	12,052	-	12,052
<i>Total restricted expenditures</i>	<u>1,882,881</u>	<u>2,663,682</u>	<u>1,778,430</u>	<u>885,252</u>
<i>Net transfers</i>	-	-	-	-
<i>Change in fund balance (budgetary basis)</i>	-	-	-	-
<i>Ending fund balance</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report.

(This page intentionally left blank.)

SUPPORTING SCHEDULES

State of New Mexico
New Mexico Junior College
Schedule of Deposit and Investment Accounts
June 30, 2016

<u>Account Name</u>	<u>Type</u>	<u>Western Commerce Bank</u>	<u>New MexiGROW LGIP</u>	<u>Lea County State Bank</u>
NMJC	Checking	\$ 25,075	\$ -	\$ -
Instructional and general	Checking	-	-	-
Instructional and general	Overnight Repurchase	-	-	-
NMJC money market	Deposit	-	-	32,583
Pell federal account	Checking	-	-	99,980
Payroll dep account	Checking	-	-	89,964
Agency account	Time Deposit	-	-	-
NMJC	Short-Term Investment	-	10,593,127	-
NMJC Foundation	Mutual Funds	-	-	-
NMJC Foundation	Equities	-	-	-
NMJC Foundation	Royalty Interest	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	CD	-	-	-
NMJC Foundation	Checking	-	-	-
NMJC Foundation	Savings	-	-	-
NMJC Foundation	CD	-	-	-
Amounts on deposit		25,075	10,593,127	222,527
Outstanding items		-	-	(34,370)
		<u>\$ 25,075</u>	<u>\$ 10,593,127</u>	<u>\$ 188,157</u>

See accompanying independent auditors' report.

Wells Fargo Bank	Total	Component Unit			Total
		Merrill Lynch	Wells Fargo Bank	First American	
\$ -	\$ 25,075	\$ -	\$ -	\$ -	\$ -
2,032,927	2,032,927	-	-	-	-
5,840,476	5,840,476	-	-	-	-
-	32,583	-	-	-	-
-	99,980	-	-	-	-
-	89,964	-	-	-	-
425,681	425,681	-	-	-	-
-	10,593,127	-	-	-	-
-	-	6,419,142	-	-	6,419,142
-	-	293,085	-	-	293,085
-	-	19,583	-	-	19,583
-	-	150,139	-	-	150,139
-	-	46,324	-	-	46,324
-	-	19,181	-	-	19,181
-	-	25,840	-	-	25,840
-	-	13,117	-	-	13,117
-	-	139,857	-	-	139,857
-	-	-	197,791	-	197,791
-	-	-	50,553	-	50,553
-	-	-	-	189,792	189,792
-	-	-	-	-	-
8,299,084	19,139,813	7,126,268	248,344	189,792	7,564,404
(99,579)	(133,949)	-	(1,523)	266	(1,257)
<u>\$ 8,199,505</u>	<u>19,005,864</u>	<u>\$ 7,126,268</u>	<u>\$ 246,821</u>	<u>\$ 190,058</u>	<u>7,563,147</u>
Petty cash	5,856				30
	<u>\$ 19,011,720</u>				<u>\$ 7,563,177</u>
Reconciliation to the Financial Statements:					
Cash and cash equivalents	\$ 8,002,339				\$ 831,367
Short-term investment	10,593,127				6,731,810
	<u>18,595,466</u>				<u>7,563,177</u>
Statement of Fiduciary Assets & Liabilities:					
Cash & cash equivalents	416,254				-
Total deposits and investments	<u>\$ 19,011,720</u>				<u>\$ 7,563,177</u>

(This page intentionally left blank.)

State of New Mexico
 New Mexico Junior College
 Schedule of Collateral Pledged by Depository
 June 30, 2016

Schedule IV

Depository	Description of Pledged Collateral	Fair Market Value June 30, 2016	Name and Location of Safekeeper
Wells Fargo Bank	FNMA FNMS 3.5% CUSIP #31419LZV8 due 12/1/2040	\$ 1,414,154	Bank of New York Mellon New York, NY
	FHG-3 G08641 3.5% CUSIP #3128MJWB2 due 5/1/2045	<u>5,648,961</u>	Bank of New York Mellon New York, NY
	Total collateral on repurchase agreement deposits at Wells Fargo Bank	<u>7,063,115</u>	
Lea County State Bank	Roswell NM 3.45%, Due 8/1/2016	295,696	Lea County State Bank Hobbs, NM
	Gasden NM ISD, Due 8/15/2018	1,004,981	Lea County State Bank Hobbs, NM
	Las Cruces, NM SD 4%, due 8/1/2027	<u>525,101</u>	Lea County State Bank Hobbs, NM
Total Lea County State Bank	<u>1,825,778</u>		
		<u>\$ 8,888,893</u>	

See accompanying independent auditors' report.

State of New Mexico
New Mexico Junior College
Agency Funds
Schedule of Changes in Fiduciary Assets and Liabilities
Year Ended June 30, 2016

	<u>June 30, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2016</u>
Athletic Summer School	\$ 25	\$ -	\$ -	\$ 25
Baseball Booster Club	6,168	9,583	9,416	6,336
Cheerleaders	1,989	298	896	1,391
Athletic Training	301	342	318	326
Golf Booster Club	24,099	7,918	5,513	26,504
Men's Basketball	4,543	5,912	8,339	2,116
Women's Cross Country	568	8	-	575
Rodeo Club	20,638	18,138	17,635	21,141
Women's Basketball	11,752	9,627	7,628	13,752
AMP Club	180	-	-	180
ASSET Student Recognition	1,507	-	-	1,507
Backpacking & Camping	271	-	-	271
Burke Poetry Contest	444	-	-	444
Campus Ambassadors	1,206	-	-	1,206
College Democrats	316	-	-	316
Career Connections/Communications	299	-	-	299
Cosmetology Students	10,887	26,098	24,231	12,754
College Republicans	45	-	-	45
NMJC Foundation	-	20,200	20,200	-
Drama Club	7,249	-	-	7,249
Equine Activities	-	4,300	-	4,300
Emergency Services Law Camp	1,762	-	-	1,762
Faculty Senate	670	3,654	3,500	824
Fallen Officers Memorial Fund	6,042	1,655	7,510	187
FFA	3,406	-	-	3,406
Fellowship of Christian Athletes	119	1,088	172	1,035
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	467	523	550
Law Enforcement Guest Speakers	601	320	552	369
Moran Lecture Series	6,058	4,000	4,401	5,657
NJCAA Division I Golf Association	43	-	-	43
NMJC Band Club	3,704	1,567	351	4,920
NMJC Sensations	4,623	-	-	4,623
NMJC Social Committee	9,832	6,800	5,942	10,690
Nature Trail Sculptures	6,385	-	-	6,385
NM Education Service Center	26,115	-	-	26,115
Phi Beta Lambda-NMJC	239	-	-	239
MU Alpha Theta	507	13,975	11,431	3,051
Phi Theta Kappa	2,370	4,152	5,658	864
Library Contest	100	-	-	100

See accompanying independent auditors' report

	<u>June 30, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2016</u>
Rope Climbing and Rappelling Club	\$ 635	\$ 67	\$ 197	\$ 505
Short Go Bible Study	450	-	-	450
Sigma Kappa Delta	100	-	-	100
Student Nurses Association	3	-	-	3
Support and Maintenance Council	2,552	1,021	64	3,509
Thunderbird Booster Club	21	12,384	9,509	2,895
Athletic Department	-	4,540	3,900	640
Talent Search	10	-	-	10
NMJC Skills USA-High School	7,864	9,731	17,326	269
Prepaid Tuition Agreement	27,565	3,563	5,188	25,941
SBDC Program Services	31,228	5,839	4,374	32,692
Student Support Services-SSS	669	101	512	257
Suicide Awareness Prevention Event	-	400	193	207
NMJC Research Foundation	8,078	-	150	7,928
Upward Bound	10,588	4,719	4,313	10,995
Western Heritage Donations	15,251	9,191	416	24,026
Western Heritage Museum Memorial	1,021	2,750	-	3,771
Western Heritage Archaeological	318	-	-	318
Western Heritage Museum Membership	15,568	20,665	12,838	23,395
WHM Special Events	20,864	17,336	24,188	14,012
WHM Centennial	8,615	8	-	8,623
WHM Archaeological Memorial	552	-	-	552
Western Heritage Horticultural	-	9,387	2,216	7,171
WHM Publications Endowment	93	-	-	93
WHM Mammoth Fund Raiser	1,300	-	-	1,300
WhM Discretionary Fund	373	2,738	3,053	58
WHM Titanic Exhibit	9,599	72,812	8,639	73,772
Total agency fund cash	<u>330,193</u>	<u>317,352</u>	<u>231,291</u>	<u>416,254</u>
				-
Accounts Payable	(7,526)	(16,357)	7,526	(16,357)
Accounts Receivable	1,277	-	(1,277)	-
Due to student organizations	<u>\$ 323,944</u>	<u>\$ 300,995</u>	<u>\$ 237,540</u>	<u>\$ 399,897</u>

State of New Mexico
 New Mexico Junior College
 Schedule of Vendor Information for Purchases
 Exceeding \$60,000 (Excluding GRT)
 June 30, 2016

<i>RFB#/RFP# (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>
		B&G Transportation/ M&M Tours			
116	Request for Proposal		Winner	Various	Various
116	Request for Proposal	Metropolitan Shuttle, Inc.	Loser		
117	Request for Proposal	Sodexo America, LLC	Winner	Various	Various
118	Invitation to Bid	Lyness Construction LP	Winner	\$1,749,667.00	\$ 1,749,667.00
118	Invitation to Bid	HB Construction Inc.	Loser		
118	Invitation to Bid	Lasco Construction, Inc.	Loser		
1072	Invitation to Bid	Doporto Construction, LLC	Winner	Various	Various
1072	Invitation to Bid	Pecos Valley Construction	Loser		
1073	Invitation to Bid	Doporto Construction, LLC	Winner	Various	Various
1073	Invitation to Bid	Entrench, Inc.	Loser		
1073	Invitation to Bid	Pecos Valley Construction	Loser		
1074	Invitation to Bid	Doporto Construction, LLC	Winner	Various	Various
1074	Invitation to Bid	Entrench, Inc.	Loser		
1076	Invitation to Bid	Hungry Horse, LLC	Winner	Various	Various

See independent auditors' report.

<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
Hobbs, New Mexico	Yes	No	Transportation Services	
Silver Springs, Maryland	No	No	Transportation Services	
Gaithersburg, Maryland	No	No	Food Services Entertainment Technology	
Cleburne, Texas	No	No	Construction Entertainment Technology	
Albuquerque, New Mexico	Yes	No	Construction Entertainment Technology	
Hobbs, New Mexico	Yes	No	Construction Carpentry Work on Campus	
Hobbs, New Mexico	Yes	No	Carpentry Work on Campus Painting Projects on Campus	
Hobbs, New Mexico	Yes	No	Painting Projects on Campus	
Hobbs, New Mexico	Yes	No	Painting Projects on Campus	
Hobbs, New Mexico	Yes	No	Concrete Work on Campus Concrete Work on Campus	
Hobbs, New Mexico	Yes	No	Electrical Services	

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the 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, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and the budgetary comparisons presented as supplementary information, and have issued our report thereon dated November 9, 2016.

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

Compliance and Other Matters

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

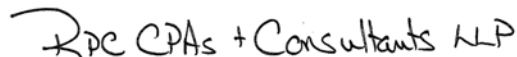
We noted certain matters that are required to be reported per section 12-6-5, NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5, NMSA 1978 Findings as item NM 2016-001.

The College's Response to 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 result 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.



RPC CPAs + Consultants, LLP
Albuquerque, NM
November 9, 2016

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

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

We have audited New Mexico Junior College (“the College”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College’s major federal programs for the year ended June 30, 2016. The College’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditors’ Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

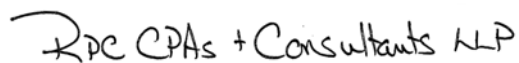
Report on Internal Control Over Compliance

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

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

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

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



RPC CPAs + Consultants, LLP
Albuquerque, NM
November 9, 2016

State of New Mexico
 New Mexico Junior College
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Pass through Number	Federal C.F.D.A. Number	Expenditures	Funds Provided to Subrecipients	Noncash Assistance
US Department of Education					
Direct programs:					
Student financial assistance cluster: *					
Federal Pell Grant Program	(1)	42310	84.063 \$ 2,418,379	\$ -	\$ -
Federal SEOG Program	(1)	42325	84.007 26,342	-	-
Federal Work Study Program	(1)	42511	84.033 29,895	-	-
TRIO Cluster: *					
TRIO-Student Support Services	(2)	41131	84.042 269,261	-	-
TRIO-Upward Bound	(2)	41133	84.047 258,837	-	-
US Nuclear Regulatory Commission					
US NRC Scholarships		41142	77.006 44,233	-	-
US Department of Labor Employment & Training Administration					
TAACCCT Grant		41151	17.282 944,611	-	-
Passed through New Mexico					
Public Education Department:					
Adult Basic Education Federal		41310	84.002 91,632	-	-
Total US Department of Education			4,083,190	-	-
US Small Business Administration					
Passed through New Mexico					
Public Education Department:					
Small Business Development Center		41220	59.037 20,689	-	-
Total Expenditures of Federal Awards			\$ 4,103,879	\$ -	\$ -

* Tested as major program

() Denotes cluster

Federal Direct loans advanced to students in fiscal year 2016 were not included on this schedule.

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

Basis of Presentation

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

Loans

The College did not expend federal awards related to loan guarantees during the year. Federal Direct Loans advanced to students in fiscal year 2016 totaled \$738,716.

10% de minimus Indirect Cost Rate

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

Federally Funded Insurance

The College has no federally funded insurance.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 4,103,879
Total expenses funded by other sources	<u>33,500,531</u>
<i>Total expenses per statement of revenues, expenses, and changes in net position</i>	<u><u>\$ 37,604,410</u></u>

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

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

Federal Awards:

- | | |
|---------------------------------------------------------------------------------------------------------------|------------|
| 1. Type of auditors' report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | None Noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | None Noted |
| 4. Identification of major programs: | |

CFDA Numbers

Federal Program

84.063
 84.007
 84.033
 84.268

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

84.042
 84.047

TRIO Cluster
 TRIO-Student Support Services
 TRIO-Upward Bound

- | | |
|-----------------------------------------------------------------------------|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

B. FINDINGS—FINANCIAL STATEMENT AUDIT

FS 2016-001 Detailed Inventory Listing Not Provided - Significant Deficiency

Condition: During our inventory observation testwork on June 30, 2016, we did not receive an accurate detailed inventory listing as of June 30, 2016 for the bookstore to tie out test counts. A summary level inventory listing was provided but not a detailed listing with accurate costs and quantities.

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

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

Cause: The College bookstore's inventory system would not allow bookstore employees to print an accurate detailed inventory listing as of June 30, 2016.

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

Views of Responsible Officials and Planned Corrective Actions: Management agrees that review by College bookstore employees of daily and monthly College bookstore financial reports is important to the administration of the College bookstore. Management also understands that without proper inventory controls, the College bookstore cannot verify what inventory is on-hand. The Director of Bookstore Services and the Assistant Director of Bookstore Services will work together to review detailed inventory reports to ensure that the quantities, cost, and retail values reported are accurate. The detailed inventory reports along with other essential financial reports will be reviewed monthly to ensure its accuracy and update as needed. Training with MBS (the College bookstore's software provider) has been set up for November 2016 to discuss with College bookstore staff on how to run inventory reports and review for accuracy. An MBS consultant will also be present when the College bookstore conducts their end-of-year inventory in June 2017.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

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

NM 2016-001 TRIO Cluster – Performance Reporting (Finding That Does Not Rise to the Level of Significant Deficiency)

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

- The participant's cumulative GPA was improperly reported on 1 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 cumulative GPA as 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 has implemented new review procedures prior to the submission of the Annual Performance Report to the U.S. Department of Education. This review process was implemented with the 2014/2015 Annual Performance Reports submission done in November 2015. This new detailed review process corrected many of the errors found from the 2013/2014 Annual Performance Report submission. The Director of Student Support Services will continue this detailed review process, along with review from the Vice President for Training and Outreach and the Business Office, to help ensure proper participant classification on the Annual Performance Report.

E. PRIOR YEAR FINDINGS

- FS 2015-001: Stale Dated Checks
Resolved and not repeated.
- FS 2015-002: Travel and Per Diem
Resolved and not repeated.
- FS 2015-003: Internal Controls over Payroll
Resolved and not repeated.
- FS 2015-004: Controls over the Verification Compliance Requirement
Resolved and not repeated.
- FA 2015-001: TRIO Cluster – Performance Reporting
Resolved and not repeated.

State of New Mexico
New Mexico Junior College
Other Disclosures
June 30, 2016

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, 2016 by RPC CPAs + Consultants, LLP. The responsibility for these financial statements remains with the College.

EXIT CONFERENCE

The contents of this report and its schedules related to the component unit were discussed on November 10, 2016. 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. Kelvin Sharp, President
Dan Hardin, Vice-President for Finance
Josh Morgan, Accountant/Comptroller

RPC CPAs + Consultants, LLP

Cindy Bryan, Partner
Paul Garcia, Supervisor In-Charge