

**State of New Mexico
New Mexico Junior College**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2018



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Introductory Section

New Mexico Junior College
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June 30, 2018

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**New Mexico Junior College
Official Roster
June 30, 2018**

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

**ADMINISTRATIVE
OFFICIALS**

Dr. Kelvin Sharp		President
Dan Hardin		Vice-President for Finance
Dr. Dennis Atherton		Vice-President for Instruction
Cathy Mitchell		Vice-President of Student Services
Jeff McCool		Vice-President for Training and Outreach

**New Mexico Junior College
Official Roster
June 30, 2018**

Name	NMJC FOUNDATION BOARD MEMBERS	Title
John Graham		President
David Whitten		Vice-President
Dan Hardin		Treasurer
Tina Kunko		Secretary
Pat Chappelle		NMJC Board President
Dr. Kelvin Sharp		NMJC President
John Manseau		Member
Joshua Grassham		Member
Lisa Hardison		Member
Randy Holladay		Member
Guy Kesner		Member
T.J. Parks		Member
David Pyeatt		Member
Michael Raburn		Member
Betty Rickman		Member
Scott Smith		Member
David Shaw		Member

**New Mexico Junior College
Official Roster
June 30, 2018**

Name	NEW HORIZONS FOUNDATION BOARD MEMBERS	Title
Gregg Fulfer		President
Dr. Kelvin Sharp		Vice-President
Ron Black		Treasurer
Tres Hicks		Secretary
Guy Kesner		Member
Don Jones		Member

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Report

INDEPENDENT AUDITORS' REPORT

Wayne Johnson
New Mexico State Auditor
U.S. Office of Management and Budget
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 units, and the fiduciary fund of New Mexico Junior College (the "College"), as of and for the year ended June 30, 2018, 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, 2018, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component units and the fiduciary fund of the College, as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, the budgetary comparisons of the College referred to above present fairly, in all material respects, the respective budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 16 through 21, the Public Employees Retirement Association (PERA) Pension Plan Schedules required by GASB on pages 76 through 79, and the New Mexico Retiree Healthcare (NMRHCA) Plan Schedules required by GASB on pages 80 through 83, to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the College's financial statements that collectively comprise the College's basic financial statements. The introductory section, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Schedule of Collateral Pledged by Depository for Public Funds, the Schedule of Deposit Accounts and the Schedule of Changes in Fiduciary Assets and Liabilities 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, the Schedule of Collateral Pledged by Depository for Public Funds, the Schedule of Deposit Accounts and the Schedule of Changes in Fiduciary Assets and Liabilities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, the Schedule of Collateral Pledged by Depository for Public Funds, the Schedule of Deposit Accounts and the Schedule of Changes in Fiduciary Assets and are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's 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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
October 31, 2018

Financial Statements

State of New Mexico
New Mexico Junior College
Management's Discussion and Analysis
June 30, 2018

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 and the New Horizons Foundation as component units for fiscal year 2018.

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, 2018. This discussion gives a comparative analysis of business-type activity from fiscal year 2017 to fiscal year 2018.

Financial Highlights

The College's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the June 30, 2018 fiscal year by \$64,236,762.

The College's financial position decreased in 2017/2018 as compared to prior years. Net position decreased during the year by \$11,191,486 over the previous year. The decrease resulted primarily from an increase in the ERB net pension liability and establishment of the OPEB net liability with the implementation of GASB 75 offset by an increase in Local Mill Levy funding.

The College's investments reflect \$17,593,127 at June 30, 2018, \$14,593,127 with the Local Government Investment Pool and \$3,000,000 with CDARS.

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, 2018, and includes the comparison to the prior year.

State of New Mexico
New Mexico Junior College
Management's Discussion and Analysis
June 30, 2018

Statement of Net Position

	June 30, 2018	June 30, 2017	June 30, 2018 NMJC Foundation	June 30, 2018 New Horizons
Assets:				
Current assets	\$ 31,940,001	\$ 21,029,379	\$ 841,748	\$ 252,845
Capital assets, net	83,894,294	82,553,228	-	-
Noncurrent assets-				
Intangible asset	-	-	75,000	15,608
Investments	-	-	7,800,559	-
Capital assets, net	-	-	23,459	-
Deferred Outflows	15,673,062	5,176,445	-	-
Total assets and deferred outflows	\$ 131,507,357	\$ 108,759,052	\$ 8,740,766	\$ 268,453
Liabilities:				
Current liabilities	\$ 2,900,694	\$ 3,010,680	\$ 29,352	\$ 7,553
Non-current liabilities	60,187,971	30,034,980	-	-
Deferred inflows	4,181,930	285,144	-	-
Total liabilities and deferred inflows	67,270,595	33,330,804	29,352	7,553
Net Position:				
Net investment in capital assets	83,894,294	82,553,228	23,459	-
Restricted:				
Nonexpendable endowments	-	-	5,790,954	-
Expendable grants and contributions	-	-	2,675,082	-
Unrestricted net position	(19,657,532)	(7,124,980)	221,919	260,900
Total net position	\$ 64,236,762	\$ 75,428,248	\$ 8,711,414	\$ 260,900

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 \$75,428,248 at the close of June 30, 2017, as compared to the \$64,236,762 as of June 30, 2018. As of June 30, 2018, Net Investment in Capital Assets was in the amount of \$83,894,294. The College uses these capital assets in its mission to provide postsecondary educational services to the College' service area; consequently, these assets are not available for future spending. Net Capital Assets increased in the 2018 fiscal year by \$1,341,066, net of depreciation expense of \$4,321,666. Net Position also consists of Unrestricted Net Position of (\$19,657,532). The negative Unrestricted Net Position is due to the College's implementation of GASB 68 and the recording of Net Pension Liability of \$45,789,710 and the implementation of GASB 75 and the recording of OPEB Liability of \$14,276,583. See Note 6 in the Notes to the Financial Statements for a further discussion of the implementation of GASB 68 and Note 7 of the Notes to the Financial Statements for a further discussion of the implementation of GASB 75. 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.

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The following table summarizes the College's Revenues, Expenses, and Changes in Net Position for the year ending June 30, 2018 and includes a comparison to the year ended June 30, 2017.

Revenues, Expenses and Changes in Net Position

	June 30, 2018	June 30, 2017	June 30, 2018 NMJC Foundation	June 30, 2018 New Horizons
Operating revenues	\$ 9,130,945	\$ 9,276,895	\$ 748,922	\$ 400,000
Operating expenses	43,261,619	39,242,591	716,255	938,281
Operating (loss) income	(34,130,674)	(29,965,696)	32,667	(538,281)
Non-operating revenues and expenses	36,104,277	30,254,204	542,892	449,996
Income before other revenue	1,973,603	288,508	575,559	(88,285)
Capital appropriations	4,142,403	5,182,871	-	-
Net position, restatement	(16,958,307)	-	-	-
Net position, reclassification	(349,185)	-	-	-
Increase (decrease) in net position	\$ (11,191,486)	\$ 5,471,379	\$ 575,559	\$ (88,285)

Analysis of Changes in Net Position

The College's Net Position decreased by \$11,191,486 during the 2018 fiscal year as compared to an increase of \$5,471,379 for the 2017 fiscal year. The decrease is due to a Net Position restatement from the implementation of GASB 75 and a Net Position reclassification due to the New Horizons Foundation being discretely presented this year. Operating Revenues were \$9,130,945 in 2018, which is a decrease of \$145,950 from fiscal year 2017. Operating Expenses were \$43,261,619 in fiscal year 2018, which is an increase of \$4,019,028 from fiscal year 2017.

Operating Revenues

The following table summarizes the College's Operating Revenues of \$9,130,945 for the fiscal year ended June 30, 2018, as compared to the Operating Revenues of \$9,276,895 in 2017. Fiscal Year 2018 reflects an increase in revenues from Student Tuition, Fees and Trainings and Auxiliary Enterprises and a decrease in revenues from Federal Grants and Contracts, State and Other Grants and Contracts, and Intercollegiate Athletics. New Mexico Junior College Foundation revenues for the year total \$748,922, which is an increase from Fiscal Year 2017. New Horizons Foundation revenues for the year total \$400,000 which is the same amount from fiscal year 2017.

	June 30, 2018	June 30, 2017	June 30, 2018 NMJC Foundation	June 30, 2018 New Horizons
Student tuition, fees and trainings	\$ 4,142,552	\$ 3,928,828	\$ -	\$ -
Federal grants and contracts	726,025	1,307,001	-	-
State and other grants and contracts	686,565	700,187	-	-
Auxiliary enterprises	3,117,519	2,879,839	-	-
Intercollegiate athletics	458,284	461,040	-	-
Gifts, bequests and endowments	-	-	748,922	400,000
Total operating revenues	\$ 9,130,945	\$ 9,276,895	\$ 748,922	\$ 400,000

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Management's Discussion and Analysis
June 30, 2018

Operating Expenses

The following table summarizes the College's Operating Expenses of \$43,261,619 for the fiscal year ended June 30, 2018, as compared to the Operating Expenses of \$39,242,591 in 2017. The increase in Operating Expenses is attributed to an increase in Instruction, Academic Support, Operations and Maintenance, Public Service, Auxiliary Enterprises, Intercollegiate Athletics, Internal Services, Student Aid, Private Grants, Renewals and Replacements, and Depreciation and a decrease in Student Services and Institutional Support. New Mexico Junior College Foundation expenses for the year were \$704,525 and New Horizons Foundation expenses for the year were \$938,281.

	June 30, 2018	June 30, 2017	June 30, 2018 NMJC Foundation	June 30, 2018 New Horizons
Instruction	\$ 12,471,379	\$ 10,840,335	\$ -	\$ -
Academic support	2,990,456	2,833,171	-	-
Student services	3,109,919	3,327,952	-	-
Institutional support	4,842,134	5,018,051	704,525	938,281
Operations and maintenance	4,375,511	3,992,316	-	-
Public service	256,369	173,196	-	-
Auxiliary enterprise expenses	3,152,129	2,579,012	-	-
Intercollegiate athletics	1,757,890	1,581,870	-	-
Internal service	467,913	230,822	-	-
Student aid	3,998,915	3,783,381	-	-
Private grants	47,308	41,655	-	-
Renewals and replacements	1,470,030	676,727	-	-
Depreciation	4,321,666	4,164,103	11,730	-
Total operating expenses	\$ 43,261,619	\$ 39,242,591	\$ 716,255	\$ 938,281

Non-Operating Revenues (Expenses)

The following table summarizes the College's Non-Operating Revenues (Expenses) of \$36,104,277 for the fiscal year ended June 30, 2018. Local Appropriations remained strong in Fiscal Year 2018 with an increase of \$6,135,664 compared to an increase of \$3,190,078 in Fiscal Year 2017. 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.

	June 30, 2018	June 30, 2017	June 30, 2018 NMJC Foundation	June 30, 2018 New Horizons
Property taxes	\$ 9,940,537	\$ 9,633,806	\$ -	\$ -
Oil and gas taxes	17,195,214	11,366,281	-	-
Federal pell grants	2,947,195	2,704,343	-	-
State appropriations, non-capital	5,705,061	5,759,516	-	-
Other revenue sources	350,451	705,686	-	-
Transfer from the Foundation	300,000	-	-	-
Net transfer to New Horizons	(449,996)	-	-	449,996
Investment income	138,555	57,452	500,361	-
(Loss) gain on sale of capital assets	(22,740)	27,120	-	-
Production taxes	-	-	(7,217)	-
Royalties	-	-	49,748	-
Total non-operating revenues and expenses	\$ 36,104,277	\$ 30,254,204	\$ 542,892	\$ 449,996

State of New Mexico
 New Mexico Junior College
 Management's Discussion and Analysis
 June 30, 2018

Increase in Net Position

The following table summarizes the College's increase in Net Position of \$5,471,379 for June 30, 2017 compared to the decrease in Net Position of \$11,191,486 for June 30, 2018. The decrease in Net Position is due to a Net Position restatement from the implementation of GASB 75 and a Net Position reclassification due to the New Horizons Foundation being discretely presented this year.

	June 30, 2018	June 30, 2017	June 30, 2018 NMJC Foundation	June 30, 2018 New Horizons
Income before capital appropriations	\$ 1,973,603	\$ 288,508	\$ 575,559	\$ (88,285)
Capital appropriations	4,142,403	5,182,871	-	-
Increase (decrease) in Net Position	6,116,006	5,471,379	575,559	(88,285)
Net position, beginning of year	75,428,248	69,956,869	8,135,855	-
Net position, restatement	(16,958,307)	-	-	-
Net position, reclassification	(349,185)	-	-	349,185
Net position - end of year	\$ 64,236,762	\$ 75,428,248	\$ 8,711,414	\$ 260,900

Capital Assets and Debt Administration

At June 30, 2018, the College had \$83,894,294 invested in Capital Assets as compared to \$82,553,228 at June 30, 2017. The Foundation had \$23,459 for radio equipment.

Capital Assets, Net

	June 30, 2018	June 30, 2017	June 30, 2018 NMJC Foundation	June 30, 2018 New Horizons
Land Improvements	\$ 2,061,616	\$ 2,395,001	\$ -	\$ -
Buildings	59,138,540	48,145,208	-	-
Infrastructure	14,609,244	15,612,480	-	-
Software	867,305	1,010,916	-	-
Library books	477,375	461,193	-	-
Furniture and equipment	1,812,083	1,894,226	23,459	-
Automobiles	229,362	329,357	-	-
Construction in progress	4,490,506	12,496,584	-	-
Land	208,263	208,263	-	-
Net capital assets	\$ 83,894,294	\$ 82,553,228	\$ 23,459	\$ -

Major capital expenditures during the 2018 fiscal year include the New Mexico Junior College Allied Health Building, the Entertainment Technology Renovation project, improvements to the Dorm/Apartments, Campus Signage, and various infrastructure and land improvement projects and equipment purchases.

The College has no debt outstanding at June 30, 2018.

State of New Mexico
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 Management's Discussion and Analysis
 June 30, 2018

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):

	2018	2017
Current funds		
Unrestricted	1.13	2.72
Restricted	<0.15>	0.11
Plant funds	<1.70>	<2.90>

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. Eleven years ago the financial support from the State represented 45% of the NMJC operating budget. Today that level has declined to less than 20% of the NMJC operating budget. The funding expectations from the State Legislative Finance Committee for fiscal year 2020 are projected to be slightly higher. The local economy in Lea County has rebounded and is currently very busy, especially in the oil & gas sector. Oil & gas production level is very strong and the oil and gas prices have increased or stayed steady for several months. At the end of June 2018 the unemployment rate in Lea County was 3.6% while the State unemployment level was around 4.9%. Historically, the unemployment in Lea County drives the student enrollment at New Mexico Junior College.

With the NMJC Board's approval, management has created different marketing strategies which along with the online offerings, low tuition, housing, and athletics, have taken the highs and lows out of the student credit hours at the College. The oil and gas industry is still the driving economic factor in Lea County. New technology in the industry has led to a revitalization and extension of the projected life of some oil fields in Lea County. Currently the price of oil remains in the sixty-five dollar a barrel range, and production in the County remains very strong.

From what we can determine the local economy in 2019 will stay steady, with optimism that the price of oil and level of production will continue through 2019. Lea County property assessment has increased, allowing property tax revenue to make up some of the loss in State revenues. Over all, the economic outlook for New Mexico Junior College for the coming year appears to be optimistic. New Mexico Junior College does not have any debt to service, placing the College in a better position to weather most funding issues.

New Mexico Junior College
Statement of Net Position
June 30, 2018

	Primary Government	NMJC Foundation	New Horizons Foundation
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,663,263	\$ 831,802	\$ 218,954
Short-term investments	17,593,127	-	-
Accounts receivable, net	9,488,203	9,946	6,120
Inventory	490,778	-	-
Prepaid expenses	421,492	-	27,771
Prepaid summer expenses	283,138	-	-
Total current assets	31,940,001	841,748	252,845
Non-current assets:			
Intangible asset	-	75,000	15,608
Investments	-	7,800,559	-
Non-depreciable assets	4,698,769	-	-
Depreciable assets, net	79,195,525	23,459	-
Total non-current assets	83,894,294	7,899,018	15,608
Total assets	115,834,295	8,740,766	268,453
Deferred outflows			
Deferred outflows - Pension	15,417,283	-	-
Deferred outflows - OPEB	255,779	-	-
Total deferred outflows	15,673,062	-	-
Total assets and deferred outflows	\$ 131,507,357	\$ 8,740,766	\$ 268,453

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

	Primary Government	NMJC Foundation	New Horizons Foundation
Liabilities			
Current liabilities:			
Accounts payable	\$ 467,476	\$ 2,686	\$ 7,553
Accrued expenses	1,062,671	-	-
Unearned revenues	1,260,776	26,666	-
Compensated absences	109,771	-	-
Total current liabilities	2,900,694	29,352	7,553
Non-current liabilities:			
Compensated absences	121,678	-	-
OPEB liability	14,276,583	-	-
Net pension liability	45,789,710	-	-
Total non-current liabilities	60,187,971	-	-
Deferred inflows:			
Deferred inflows - Pension	932,613	-	-
Deferred inflows - OPEB	3,249,317	-	-
Total deferred inflows	4,181,930	-	-
Total liabilities and deferred inflows	67,270,595	29,352	7,553
Net position			
Net investment in capital assets	83,894,294	23,459	-
Restricted for:			
Nonexpendable endowments	-	5,790,954	-
Expendable grants and contributions	-	2,675,082	-
Unrestricted	(19,657,532)	221,919	260,900
Total net position	64,236,762	8,711,414	260,900
Total liabilities and net position	\$ 131,507,357	\$ 8,740,766	\$ 268,453

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

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New Mexico Junior College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

	Primary Government	NMJC Foundation	New Horizons Foundation
Operating revenues:			
Student tuition, fees and trainings	\$ 4,142,552	\$ -	\$ -
Federal grants and contracts	726,025	-	-
State and other grants and contracts	686,565	-	-
Auxiliary enterprises	3,117,519	-	-
Intercollegiate athletics	458,284	-	-
Gifts, bequests and endowments	-	748,922	400,000
Total operating revenues	9,130,945	748,922	400,000
Operating expenses:			
Instruction	12,471,379	-	-
Academic support	2,990,456	-	-
Student services	3,109,919	-	-
Institutional support	4,842,134	709,863	938,281
Operations and maintenance	4,375,511	-	-
Public service	256,369	-	-
Auxiliary enterprise expenses	3,153,627	-	-
Intercollegiate athletics	1,757,890	-	-
Internal service	467,913	-	-
Student aid	3,998,915	-	-
Private grants	47,308	-	-
Renewals and replacements	1,468,532	-	-
Depreciation	4,321,666	11,730	-
Total operating expenses	43,261,619	721,593	938,281
Operating (loss) gain	(34,130,674)	27,329	(538,281)
Non-operating revenues (expenses):			
Property taxes	9,940,537	-	-
Oil and gas taxes	17,195,214	-	-
Federal pell grants	2,947,195	-	-
State appropriations, non-capital	5,705,061	-	-
Other revenue and expenses	350,451	-	-
Transfer from the Foundation	300,000	-	-
Net transfer to New Horizons	(449,996)	-	449,996
Investment income	138,555	500,361	-
Loss from the sale of capital assets	(22,740)	-	-
Production taxes	-	(1,879)	-
Royalties	-	49,748	-
Net non-operating revenues (expenses)	36,104,277	548,230	449,996
Income (loss) before capital appropriations	1,973,603	575,559	(88,285)
State appropriations, capital	4,142,403	-	-
Change in net position	6,116,006	575,559	(88,285)
Net position, beginning of year	75,428,248	8,135,855	-
Net position, restatement (Note 17)	(16,958,307)	-	-
Net position, reclassification to New Horizons (Note 17)	(349,185)	-	349,185
Net position, beginning of year after restatements	58,120,756	8,135,855	349,185
Net position, end of year	\$ 64,236,762	\$ 8,711,414	\$ 260,900

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

New Mexico Junior College
Statement of Cash Flows
For the Year Ended June 30, 2018

	Primary Government
Cash flows from operating activities:	
Tuition, fees and trainings	\$ 1,808,138
Federal and state grants and contracts	2,173,035
Auxiliary enterprise charges	3,117,519
Intercollegiate athletics	458,284
Payments to employees and for employee benefits	(11,782,018)
Disbursement of net aid to students	(6,272,026)
Payments to suppliers	(9,683,134)
Net cash used by operating activities	(20,180,202)
Cash flows from noncapital financing activities:	
State appropriations	5,705,061
Federal pell grants	2,947,195
Property taxes	9,454,585
Oil and gas taxes	15,009,985
Net cash provided by noncapital financing activities	33,116,826
Cash flows from capital financing activities:	
Capital appropriations	4,142,403
Purchase of capital assets	(5,685,471)
Transfer from the Foundation	300,000
Other revenue sources	350,451
Net cash used by capital financing activities	(892,617)
Cash flows from investing activities:	
Purchase of investments	(5,943,676)
Interest received on investments	138,555
Net cash provided by investing activities	(5,805,121)
Net increase in cash and cash equivalents	6,238,886
Cash and cash equivalents - beginning of year	15,236,458
Cash reclassification to New Horizons	(218,954)
Cash and cash equivalents, beginning of year after reclassification	15,017,504
Cash and cash equivalents - end of year	\$ 21,256,390
Reconciliation to Statement of Net Position	
Cash and cash equivalents	\$ 3,663,263
Short-term investments	17,593,127
Cash and cash equivalents - end of year	\$ 21,256,390

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

	Primary Government
Operating loss	\$ (34,130,674)
Reconciliation of operating loss to net cash used by operating activities:	
Depreciation expense	4,321,666
Noncash pension expense	6,131,268
Noncash OPEB expense	5,931,041
Changes in assets and liabilities:	
Accounts receivable, net	(2,431,196)
Prepaid expenses	32,450
Prepaid summer expenses	(115,647)
Inventory	294,884
Accounts payable	(136,706)
Accrued expenses	31,247
Deferred outflows - subsequent contributions - pension	85,450
Deferred outflows - subsequent contributions - OPEB	(255,779)
Unearned revenues	96,782
Compensated absences	(34,988)
Net cash used by operating activities	\$ (20,180,202)
Supplemental cash flow information	
Loss on disposal of capital assets	\$ (22,740)

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

New Mexico Junior College
Statement of Fiduciary Assets and Liabilities
June 30, 2018

	Agency Fund
<hr/>	
Assets	
Cash and cash equivalents	\$ 327,095
<hr/>	
Total assets	\$ 327,095
<hr/> <hr/>	
Liabilities	
Accounts payable	\$ 3,681
Due to student organizations	323,414
<hr/>	
Total liabilities	\$ 327,095
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The accompanying notes are an integral part of these financial statements.

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, 2018, the College adopted GASB Statements No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, GASB Statement No. 81 *Irrevocable Split-Interest Agreements*, and GASB Statement No. 85 *Omnibus*, and GASB Statement No. 86 *Certain Debt Extinguishment Issues*. These four statements are required to be implemented as of June 30, 2018, if applicable.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement is intended to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OEPB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regards to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017 and have a material effect on the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. *Financial Reporting Entity*

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

Component unit

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

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

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the College.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. *Financial Reporting Entity (continued)*

The following are discretely presented component units:

On October 25, 2011, the New Horizons Foundation was incorporated by New Mexico Junior College. The New Horizons 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 New Horizons 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 New Horizons Foundation serves 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 are aimed toward promoting collaboration between various entities to eliminate or reduce duplicate research efforts. The New Horizons Foundation seeks 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 New Horizons Foundation:

- Works with faculty and staff of New Mexico Junior College to develop and administer research, training and community service grants, contracts and self-service programs;
- Develops and manages major centers, institutes, community partnerships, and programs;
- Provides technology transfer services;
- Acquires, develops and manages real property to provide space for sponsored research programs;
- Administers fellowships and financially manages and invests gifts, trusts, and endowments, as they relate to the primary function of the Research Foundation.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. *Financial Reporting Entity (continued)*

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

3. *Financial Statement Presentation*

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

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

4. *Basis of Accounting*

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated. The Fiduciary Funds are used to account for assets held by the College in a capacity as an agent for various student organizations and outside parties. Fiduciary Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2018, 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 oil and gas sales, and student and third-party payers for student tuition and fees. The allowance for doubtful accounts is maintained at a level which, in the administration's judgment, is sufficient to provide for possible losses in the collection of these accounts.

8. Unearned Revenues and Expenditures

Unearned revenue relates to student tuition, fees, and bookstore sales received during the current fiscal period for classes to be held in the following period. Similarly, deferred expenditures represent scholarship funds expended in the current period relating to the following period. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property tax receivables are recognized in the period for which the taxes are levied, net of estimated refunds and uncollectible amounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Inventories

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

10. Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College’s capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings costing \$100,000 or more, and infrastructure and land improvements costing \$50,000 or more and that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Information technology equipment including software is being capitalized in accordance with 2.20.1.9(C)(5) NMAC [9-30-99, recompiled 10/01/01].

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction. There was no interest expense capitalized by the College during the current fiscal year. No interest was included as part of the cost of capital assets under construction.

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

Assets	Years
Land Improvements and infrastructure	20
Building and improvements	40
Software	5-10
Library Books	5
Furniture Equipment	5-7
Vehicles	5

11. Compensated Absences

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Compensated Absences (continued)

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

12. Revenue

Operating revenue includes activities that have the characteristics of an exchange transaction, such as a) student tuition and fees, net of scholarship discounts and allowances; b) sales and services; and c) contracts and grants.

Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as a) appropriations, b) taxes, c) gifts, and d) investment income. These revenue streams are recognized under GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*. Revenues are recognized when all applicable eligibility requirements have been met.

13. Economic dependency

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

The College receives a significant portion of their revenue from property tax revenue and oil and gas tax revenue. Property tax revenue was \$9,940,537 or 22% of total revenue in fiscal year 2018. Oil and gas production and equipment tax revenue fluctuates significantly upon demand and was \$17,195,214 or 38% of total revenue in fiscal year 2018.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

Nonspendable: 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.

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

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

15. Revenue Recognition for Derived Tax Revenues

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

16. Budgetary Process

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. Budgetary Process (continued)

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. Income Tax Status

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

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

19. Property Tax Calendar

Property Taxes are levied on November 1 based on the assessed value of property listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after May 10th are considered delinquent. The taxes attach as an enforceable lien on property as of January 1st.

20. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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, 2018.

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 Junior College
Notes to Financial Statements
June 30, 2018

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments. All of the College's accounts at an insured depository institution, including non-interest bearing accounts are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2018, \$7,640,598 of the College's bank balances of \$8,165,608 was exposed to custodial credit risk. \$5,297,178 was uninsured and collateralized by the collateral held by the pledging bank's trust department, not in the College's name. \$2,343,420 of the College's deposits were uninsured and uncollateralized at June 30, 2018.

	Lea County State Bank	Wells Fargo Bank	Western Commerce Bank	Total
Total amount of deposits	\$ 3,511,471	\$ 4,629,127	\$ 25,010	\$ 8,165,608
Deposit accounts covered by the FDIC coverage	(250,000)	(250,000)	(25,010)	(525,010)
Total uninsured public funds	3,261,471	4,379,127	-	7,640,598
Collateralized by securities held by the pledging institution or by its trust department or agent other than the College's name	2,302,400	2,994,778	-	5,297,178
Uninsured and uncollateralized	\$ 959,071	\$ 1,384,349	\$ -	\$ 2,343,420
Collateral requirement (50% of uninsured public funds)	\$ 1,630,736	\$ 2,189,564	\$ -	\$ 3,820,300
Pledged security	2,302,400	2,994,778	-	5,297,178
Over collateralization	\$ 671,664	\$ 805,214	\$ -	\$ 1,476,878

The collateral pledged is listed on Schedule of Collateral Pledged by Depository.

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The New Mexico Junior College does not have a policy to manage the credit risk of its investments.

The 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, 2018, 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.

**New Mexico Junior College
Notes to Financial Statements
June 30, 2018**

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Credit Quality and Interest Rate Risk

Investment Type	Weighted Average Maturity	Fair Value	Rating*
New MexiGROW LGIP	106 days	\$ 14,593,127	AAAm

*Based off Standard & Poor's rating

\$3 million of CD's were classified as investments due to maturity being longer than one year.

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, 2018, other than investments in the State Treasurer's *New MexiGROW* LGIP. Therefore, they are not subject to any concentration of credit risk.

Fair Value Measurements

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

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

Level 2 Inputs to the valuation methodology include:

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

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

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

New Mexico Junior College
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NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

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

New MexiGROW LGIP is valued at the daily closing price as reported by the fund. These investments held by the College are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the College are deemed to be actively traded. The College maintained a balance of \$14,593,127 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, 2018:

Investment	Level 1	Level 2	Level 3	Total
<i>New MexiGROW LGIP</i>	\$ 14,593,127	\$ -	\$ -	\$ 14,593,127

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, cash equivalents as presented on the statement of cash flows has been adjusted to reflect the \$21,256,390.

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

Deposits	\$ 8,165,608
<i>New MexiGROW LGIP</i>	14,593,127
Total deposits and investments	22,758,735
Petty cash	6,446
Add reconciling items	(1,181,696)
Total cash and cash equivalents and investments	\$ 21,583,485
Statement of Net Position:	
Cash and cash equivalents	\$ 3,663,263
Short-term investments	17,593,127
Cash and cash equivalents, end of year per statement of cash flows	21,256,390
Statement of Fiduciary Assets and Liabilities:	
Cash and cash equivalents	327,095
Net deposits and investments	\$ 21,583,485

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NOTE 3: ACCOUNTS RECEIVABLE

The College's accounts receivable at June 30, 2018 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	\$ 978,037
Oil and gas taxes	4,921,455
General receivables	2,628,646
Student receivables	1,853,695
Other receivable	215,896
	<u>10,597,729</u>
Less allowance for uncollectible accounts	<u>(1,109,526)</u>
<u>Net total accounts receivable</u>	<u>\$ 9,488,203</u>

New Mexico Junior College
Notes to Financial Statements
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NOTE 4: CAPITAL ASSETS

The following table summarizes the changes in the College's capital assets during the fiscal year ended June 30, 2018. Land and construction in progress are not subject to depreciation.

	June 30, 2017	Additions	Deletions	June 30, 2018
Assets not being depreciated:				
Construction in progress	\$ 12,496,584	\$ 4,488,026	\$ (12,494,104)	\$ 4,490,506
Land	208,263	-	-	208,263
Total assets not being depreciated	12,704,847	4,488,026	(12,494,104)	4,698,769
Assets being depreciated:				
Land improvements	6,521,184	-	(20,688)	6,500,496
Buildings	73,239,934	12,822,428	(4,629)	86,057,733
Infrastructure	20,584,023	-	(34,046)	20,549,977
Software	2,182,486	-	-	2,182,486
Library books	882,044	167,200	(126,540)	922,704
Furniture and equipment	11,201,589	652,444	(1,735,012)	10,119,021
Vehicles	1,796,586	49,478	(7,074)	1,838,990
	116,407,846	13,691,550	(1,927,989)	128,171,407
Less accumulated depreciation:				
Land improvements	(4,126,183)	(333,385)	20,688	(4,438,880)
Buildings	(25,094,726)	(1,829,096)	4,629	(26,919,193)
Infrastructure	(4,971,543)	(1,003,236)	34,046	(5,940,733)
Software	(1,171,570)	(143,611)	-	(1,315,181)
Library books	(420,851)	(151,018)	126,540	(445,329)
Furniture and equipment	(9,307,363)	(711,847)	1,712,272	(8,306,938)
Vehicles	(1,467,229)	(149,473)	7,074	(1,609,628)
	(46,559,465)	(4,321,666)	1,905,249	(48,975,882)
Total assets being depreciated, net	69,848,381	9,369,884	(22,740)	79,195,525
Net capital assets	\$ 82,553,228	\$ 13,857,910	\$ (12,516,844)	\$ 83,894,294

Depreciation expense as of June 30, 2018 was \$4,321,666. The College recognized a loss on sale of assets in the amount of \$22,740.

New Mexico Junior College
Notes to Financial Statements
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NOTE 5: ACCRUED EXPENSES

The College's accrued expenses at June 30, 2018 are as follows:

Payroll	\$	497,530
Payroll taxes and related liabilities		565,141
<hr/>		
Total accrued expenses	\$	1,062,671
<hr/>		

NOTE 6: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

General Information about the Pension Plan

Plan description. ERB was created by the state's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates.

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

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.

NOTE 6: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (Continued)

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%.

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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

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.

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June 30, 2018

NOTE 6: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (Continued)

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, 2018 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, 2018 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the College was \$1,651,563 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017. At June 30, 2018, the College reported a liability of \$45,789,710 for its proportionate share of the net pension liability. The College's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2017. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2017, the College's proportion was 0.41659 percent, which was an increase of 0.00631 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the College recognized pension expense of \$7,782,830. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 82,197	\$ 705,434
Investment Experience	-	6,281
Changes in assumptions	13,366,917	-
Changes in proportion	402,056	220,898
Contributions subsequent to the measurement date	1,566,113	-
Total	\$ 15,417,283	\$ 932,613

New Mexico Junior College
Notes to Financial Statements
June 30, 2018

NOTE 6: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (Continued)

\$1,566,113 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date of June 30, 2017, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2018	\$ (5,079,352)
2019	(5,160,586)
2020	(3,055,662)
2021	377,043
Thereafter	-
	\$ (12,918,557)

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, 2016. 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, 2017 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.

**New Mexico Junior College
Notes to Financial Statements
June 30, 2018**

NOTE 6: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (Continued)

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contributions rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	<p>Healthy Males – RP-2000 Combined Mortality Table with white collar adjustments, with no set back. Generational mortality improvements with scale BB from the table’s base year of 2000.</p> <p>Healthy Females – GRS Southwest Region Teacher Mortality Table, set back on year. Generational mortality improvements in accordance with scale BB from the Table’s base year of 2012.</p>

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

NOTE 6: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (Continued)

Comparative Schedule of Target Investment Allocation

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

For the years ended June 30, 2017 and 2016, the annual money-weighted rates of return on pension plan investments were for each asset class above 11.91% and 2.68%, respectively, for each asset class above.

New Mexico Junior College
Notes to Financial Statements
June 30, 2018

NOTE 6: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (Continued)

Discount rate: A single discount rate of 5.90% and 7.75% was used to measure the total ERB pension liability as of June 30, 2018 and June 30, 2017, respectively. This single discount rate was based on the expected rate of return on pension plan investments of 7.25% and 7.75%, respectively. Based on the stated assumptions and the projection of cash flows, the Plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB’s defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

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

	1.00% Decrease (4.90%)	Current Discount Rate (5.90%)	1.00% Increase (6.90%)
Proportionate share of the net pension liability	\$ 59,606,818	45,789,710	\$ 34,495,352

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, 2017 and June 30, 2016 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 7: OTHER POST-EMPLOYMENT BENEFITS – RETIREE HEALTH CARE

General Information about the OPEB

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

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico. *Benefits provided.* The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

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

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NOTE 7: OTHER POST-EMPLOYMENT BENEFITS – RETIREE HEALTH CARE (Continued)

Employees covered by benefit terms – At June 30, 2017, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan Membership	
Current retirees and surviving spouses	\$ 51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
	\$ 160,035
<hr/>	
Active membership	
State general	\$ 19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	\$ 97,349

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the College were \$567,593 for the year ended June 30, 2018.

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

At June 30, 2018, the College reported a liability of \$14,276,583 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the College’s proportion was 0.315404% percent.

New Mexico Junior College
Notes to Financial Statements
June 30, 2018

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS – RETIREE HEALTH CARE (Continued)

For the year ended June 30, 2018, the recognized OPEB expense of \$25,872. At June 30, 2018 the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 753,238
Changes in assumptions	-	2,496,079
Contributions subsequent to the measurement date	255,779	-
Total	\$ 255,779	\$ 3,249,317

Deferred outflows of resources totaling \$255,779 represent the College's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ (690,827)
2020	(690,827)
2021	(690,827)
2022	(690,827)
2023	(486,009)
Total	\$ (3,249,317)

New Mexico Junior College
Notes to Financial Statements
June 30, 2018

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS – RETIREE HEALTH CARE (Continued)

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

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

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

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	4.1%
U.S. equity - large cap	9.1
Non U.S. - emerging markets	12.2
Non U.S. - developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity - small/mid cap	9.1

New Mexico Junior College
Notes to Financial Statements
June 30, 2018

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS – RETIREE HEALTH CARE PLAN (Continued)

Discount Rate. The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the College, as well as what the College’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
\$ 17,317,272	\$14,276,583	\$ 11,890,888

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

1% Decrease	Current Trend Rates	1% Increase
\$ 12,143,217	\$14,276,583	\$ 15,940,081

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability. At June 30, 2018, the College reported a payable of \$20,319 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

NOTE 8: GROUP INSURANCE PROGRAM

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

NOTE 9: OPERATING LEASES

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

NOTE 10: RISK MANAGEMENT

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

NOTE 11: JOINT POWERS AGREEMENTS

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

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

New Mexico Junior College
Notes to Financial Statements
June 30, 2018

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.

New Mexico Junior College
Notes to Financial Statements
June 30, 2018

NOTE 12: NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT) (Continued)

The Internal Revenue Service has not examined any of the Form 990 tax returns. However, the Foundation's tax returns for 2016, 2015 and 2014 are subject to examination by the IRS, generally, for three years after they were filed. The Foundation recognizes tax benefits only to the extent the Foundation believes it is "more likely than not" that its tax position will be sustained upon IRS examination.

Cash and Cash Equivalents

The Foundation maintains cash balances in a local bank and an investment company. These cash balances are insured by the Federal Deposit Insurance Corporation up to the standard maximum deposition insurance amount of \$250,000 for each demand deposit account. As of June 30, 2018, the Foundation's uninsured cash deposits total was \$0.

As of June 30, 2018, there were no balances in excess of insurance coverage.

	Merrill Lynch*	Wells Fargo Bank	Total
Total amount of deposits	\$ 672,609	\$ 204,402	\$ 877,011
Deposit accounts covered by the FDIC coverage	(672,609)	(204,402)	(877,011)
Total uninsured public funds	-	-	-
Collateralized by securities held by the pledging institution or by its trust department or institution or by its trust department or agent other than the Foundation's name	-	-	-
Uninsured and uncollateralized	\$ -	\$ -	\$ -
Collateral requirement (50% of uninsured public funds)	\$ -	\$ -	\$ -
Pledged security	-	-	-
Over collateralization	\$ -	\$ -	\$ -

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

New Mexico Junior College
Notes to Financial Statements
June 30, 2018

NOTE 12: NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT) (Continued)

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

Deposits	\$ 877,011
Equities	4,089,595
Mutual funds	3,691,381
Royalty interest	19,583
Total deposits and investments	8,677,570
 Petty cash	 30
 Add reconciling items	 (45,269)
Total cash and cash equivalents and investments	\$ 8,632,331
 Statement of Net Position:	
Cash and cash equivalents	\$ 831,772
 Short-term investments	 7,800,559
 Cash and cash equivalents, end of year per statement of cash flows	 8,632,331
Net deposits and investments	\$ 8,632,331

Investments

The investment policy allows the Foundation to invest its portfolio in equities, fixed-income, alternative investments, and other investment strategies to maintain sufficient liquidity to meet projected distribution requirements. Investments consist primarily of money market mutual funds, bond mutual funds and marketable securities. Marketable securities are carried at fair value based on quoted market prices. Money market mutual funds are carried at amortized cost, which approximates fair value. The change in fair value is reported in the investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All custodians of the investments of the Foundation are members of Securities Investor Protection Corporation (SIPC) and the securities are protected up to \$500,000.

**New Mexico Junior College
Notes to Financial Statements
June 30, 2018**

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, 2018:

Investment	Market Value	Percent of Foundation's Investment
Equities	\$ 4,089,595	52.4%
Mutual funds	3,691,381	47.3%
Royalty Interest	19,583	0.3%
Total Foundation investments	\$ 7,800,559	100.0%

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation does not have a policy on investment credit risk. At June 30, 2018, the Foundation's bond and money market mutual funds are subject to credit risk, however, they are unrated.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation does not have a policy to limit its exposure to interest rate risk. At June 30, 2018, Foundation's bond mutual funds are subject to interest rate risk; however, they are all unrated.

Fair Value Measurements

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

NOTE 12: NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT) (Continued)

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 Foundation 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.

Money Markets, Equities and Fixed Income Securities are valued at the daily closing price as reported by the fund. These investments held by the Foundation are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

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 Foundation 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.

New Mexico Junior College
Notes to Financial Statements
June 30, 2018

NOTE 12: NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT) (Continued)

The Foundation maintained a balance of \$7,800,559 in investments at June 30, 2018, which required fair value disclosure. The following table sets forth by level within the fair value hierarchy of the Foundation's assets at fair value as of June 30, 2018:

	Total	Level 1	Level 2	Level 3
Equities	\$ 4,089,595	\$ 4,089,595	\$ -	\$ -
Mutual funds	3,691,381	3,691,381	-	-
Royalty interest	19,583	19,583	-	-
	<u>\$ 7,800,559</u>	<u>\$ 7,800,559</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, 2018 consists of the following:

Accrued interest	\$ 1,508
Golf tournament fundraising pledges receivable	7,300
Royalty income receivable	1,138
	<u>9,946</u>
Accounts receivable, net	<u>\$ 9,946</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 \$23,459. Depreciation expense for the year ended June 30, 2018 for this equipment was \$11,730.

Depreciation is computed using the straight-line method over the estimated useful life of the equipment of 5 years.

New Mexico Junior College
Notes to Financial Statements
June 30, 2018

NOTE 12: NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT) (Continued)

The following table summarizes the changes in the College's capital assets during the fiscal year ended June 30, 2018.

	June 30, 2017	Additions	Deletions	June 30, 2018
Assets being depreciated:				
Radio station equipment	58,649	-	-	58,649
Less accumulated depreciation:				
Radio station equipment	(23,460)	(11,730)	-	(35,190)
Total assets being depreciated, net	35,189	(11,730)	-	23,459

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 2018 as the original cost could be recovered if necessary.

Accounts Payable and Institutional Support

The Foundation provided the following institutional support to the College during the year ended June 30, 2018:

Scholarships	\$ 173,782
Program assistance	361,786
Administrative support	25,370
Other	100,696
Work-study	26,308
Fundraising expenses	17,921
Awards	4,000
Total institutional support	\$ 709,863

Unearned Revenue

Unearned revenue consists of donations received in advance for services the Foundation will render after year-end.

NOTE 12: NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT) (Continued)

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: NEW HORIZONS FOUNDATION (COMPONENT UNIT)

Nature of Operations

The New Horizons Foundation ("New Horizons") is a New Mexico nonprofit corporation, organized to promote and engage in cooperative ventures of innovative technological significance that advance education, science, research, conservation, health care and economic development within New Mexico.

Basis of Accounting

New Horizons' financial statements have been prepared on the accrual basis of accounting. New Horizons 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.

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 New Horizons is legally or contractually obligated to spend in accordance with imposed restrictions by third parties, such as donors.

Tax Status

New Horizons 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.

The Internal Revenue Service has not examined any of the Form 990 tax returns. However, the Foundation's tax returns for 2016, 2015 and 2014 are subject to examination by the IRS, generally, for three years after they were filed. The Foundation recognizes tax benefits only to the extent the Foundation believes it is "more likely than not" that its tax position will be sustained upon IRS examination.

New Mexico Junior College
Notes to Financial Statements
June 30, 2018

NOTE 13: NEW HORIZONS FOUNDATION (COMPONENT UNIT) (Continued)

Cash and Cash Equivalents

New Horizons maintains cash balances in a local bank. These cash balances are insured by the Federal Deposit Insurance Corporation up to the standard maximum deposition insurance amount of \$250,000 for each demand deposit account. As of June 30, 2018, the New Horizons' uninsured cash deposits total was \$0.

As of June 30, 2018, there were no balances in excess of insurance coverage.

	Wells Fargo Bank
Total amount of deposits	\$ 218,954
Deposit accounts covered by the FDIC coverage	(218,954)
Total uninsured public funds	-
Collateralized by securities held by the pledging institution or by its trust department or institution or by its trust department or agent other than the New Horizons' name	-
Uninsured and uncollateralized	\$ -
Collateral requirement (50% of uninsured public funds)	\$ -
Pledged security	-
Over collateralization	\$ -

Receivables

Accounts receivable of \$6,120 as of June 30, 2018 consists of reimbursements to New Horizons.

Prepays

New Horizons pays a law firm a fixed amounts of \$8,500 per month to use as needed each month and was paid in advance for some time in 2019.

NOTE 13: NEW HORIZONS FOUNDATION (COMPONENT UNIT) (Continued)

Wellnu, LLC

Wellnu, LLC (“Wellnu”), wholly owned and operated by New Horizons was formed by New Horizons to house an oil field related technology (Hydro Tool) that has been developed and refined by New Horizons and a local entrepreneur. Wellnu is operated by New Horizons and will distribute a portion of revenues and profits to the entrepreneur who originally designed the technology. New Horizons has agreed to “invest” in the technology by providing all of the costs for patenting and continued development and refinement of the technology through the New Horizons’ knowledge and expertise. New Horizons has also paid for and utilized the considerable resources of the U.S. Army Research, Engineering and Development Command (ARDEC) headquartered in Adelphi, Maryland and Rockaway, New Jersey to further improve the design and capabilities of the tool.

New Horizons has a series of agreements in place with the U.S. Army that allow New Horizons and its clients to utilize the people, facilities, and capabilities of the U.S. Department of Defense for such activities. These agreements include a Master Cooperative Research & Development Agreement (CRADA) and a Partnership Intermediary Agreement (PIA).

Intangible Asset

The hydro tool has filed a patent pending for the technology which is in process and the technology, via a revenue-sharing agreement between Wellnu and a Permian Basin service company is currently being utilized commercially by the company in the Permian Basin. As of June 30, 2018, the patent filings was valued at \$15,608. Wellnu will receive income from the tool’s use on every well and is also given the valuable data from each job that is performed. This “downhole” performance data will be compiled and utilized, along with the computer flow modeling data from previous ARDEC testing as a “Data Package” for when and if Wellnu chooses to sell the technology as an “exit strategy”. Until that time, New Horizons will manage the Wellnu operations and oversee any leasing agreements for the hydro tool to any other companies.

Contribution Revenue Concentration

New Horizons receives contributions from the College and from Lea County. The College transfers \$450,000 annually while County makes a \$100,000 contributions quarterly for a total of \$400,000. Combined these contributions amounts to \$850,000 for the year ended June 30, 2018.

New Mexico Junior College
Notes to Financial Statements
June 30, 2018

NOTE 13: NEW HORIZONS FOUNDATION (COMPONENT UNIT) (Continued)

Accounts Payable and Institutional Support

New Horizons provided the following institutional support to the College during the year ended June 30, 2018:

Consulting Expense	\$ 648,480
Salaries and Wages	145,268
Lease Expense	43,798
Payroll Benefits	43,615
Travel	30,250
Supplies	16,004
Insurance	9,270
Other	1,596
Total institutional support	\$ 938,281

Commitments

New Horizons has commitments as of June 30, 2018 for the following:

Vendor	Project Description	Amount
Kinetic Leasing	Lease of VRCC Generation III Cold Spray System	\$ 197,211
		\$ 197,211

New Mexico Junior College
Notes to Financial Statements
June 30, 2018

NOTE 14: COMMITMENTS

The College has commitments as of June 30, 2018 for the following:

Vendor	Project Description	Amount
HB Construction of Albuquerque, Inc.	Construction of the Allied Health Building	\$ 3,151,437
SKC Communications	Equipment for Lea County Distance Education Consortium	639,499
Cooperative Educational Services	DPS - Allied Health Building Design	94,667
Cooperative Educational Services	DPS McLean Hall Cosmetology Design	39,530
California Science Center Foundation	WHM Participation Fee	25,000
Auld Signs	Fabricate and Install Highway Message Board	22,725
BG Buildingworks, Inc.	Commissioning Authority Services for the NMJC Allied Health Building	17,322
Ellucian Company	Banner 9 Essentials Plus Services	17,043
Bridgers and Paxton	Caster Plumbing System Upgrade Assessment and Design	9,449
Cooperative Educational Services	DPS Programming Basic Services and Travel for Allied Health Building	6,122
Iris & B. Gerald Cantor Foundation	Exhibition for WHM: Rodin: Truth Form Life/Selections from the Iris & B. Gerald Cantor Collections	5,000
Cooperative Educational Services	Donner Plumbing to Replace Lines in Mansur Exhibition: National Cowgirl Museum & Hall of Fame	4,149
National Cowgirl Museum and Hall of fame	Rental Fee	3,128
Western Environmental Management Co.	Controller for Central Plant	2,395
Hungry Horse Electrical	Tunnel Phone Cable Clean Up	2,000
Take Action Media	Graphic Design and Photography for NMJC Admissions Tri-Fold Brochure and Online Booklet	1,810
		\$ 4,041,275

New Mexico Junior College
Notes to Financial Statements
June 30, 2018

NOTE 15: 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, 2018 as follows:

Accrued vacation – beginning of year	\$ 266,437
Additions	74,783
Deletions	(109,771)
<hr/>	
Accrued vacation – end of year	<u>\$ 231,449</u>

The College estimates that \$109,771 will be due within one year.

NOTE 16: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

A. Deficit equity

The College does not maintain a deficit equity position.

B. Excess of expenditures over appropriations.

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

C. Designated cash appropriation in excess of available balances.

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

NOTE 17: NET POSITION/FUND BALANCE RESTATEMENT AND RECLASSIFICATION

The College has a prior period adjustment of (\$16,958,307) which was required for implementation of GASB Statement No. 75.

The College had a reclassification adjustment of \$349,185 due to the New Horizons Foundation being discretely presented this year and its net position from prior year being reclassified out of the College and into New Horizons.

NOTE 18: SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is October 31, 2018 which is the date on which the financial statements were available to be issued. There were no events noted as of this date.

NOTE 19: SUBSEQUENT PRONOUNCEMENTS

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

In January 2017, GASB Statement No. 84 *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87 *Leases* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

In April 2018, GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier Application is encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 90 *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier Application is encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

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**New Mexico Junior College
Notes to Financial Statements
June 30, 2018**

NOTE 20: CONCENTRATIONS

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

NOTE 21: LEGISLATIVE GRANTS

The College had the following legislative grants funded by Severance Tax Bonds (STB) and General Obligation Bonds (GOB) as of June 30, 2018:

Project	Agency	Grant #	Effective Date	Reversion Date
NMJC Allied Health Building	Higher Education Department	GOB 5120	8/1/2017	6/30/2021
NMJC Allied Health Building	Higher Education Department	STB 15-0961	9/8/2015	6/30/2019
GOB Library (NM Academic Libraries)	Higher Education Department	GOB A5112	8/1/2017	6/30/2021
Expenditures to				
Project	Net Amount	Date	Reverted	Remaining
NMJC Allied Health Building	\$ 3,960,000	\$ 3,690,499	-	\$ 269,501
NMJC Allied Health Building	697,950	583,886	-	114,064
GOB Library (NM Academic Libraries)	28,610	8,216	-	20,394
	\$ 4,686,560	\$ 4,282,601	-	\$ 403,959

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Required Supplementary Information

**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***

	2018 Measurement Date (As of and for the Year Ended June 30, 2017)	2017 Measurement Date (As of and for the Year Ended June 30, 2016)
Proportion of the net pension liability (asset)	0.41202%	0.41659%
Proportionate share of the net pension liability (asset)	\$ 45,789,710	\$ 29,979,623
Covered employee payroll	12,992,158	13,745,513
Proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	352.44%	218.10%
Plan fiduciary net position as a percentage of the total pension liability	52.95%	61.58%

* 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.*

2016	2015
Measurement	Measurement
Date (As of and	Date (As of and
for the Year	for the Year
Ended	Ended
June 30, 2015)	June 30, 2014)
0.41028%	0.39594%
\$ 26,574,937	\$ 22,591,262
<u>13,754,379</u>	<u>13,510,416</u>
<u>193.21%</u>	<u>167.21%</u>
63.97%	66.54%

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

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

	As of and for the Year Ended June 30, 2018	As of and for the Year Ended June 30, 2017
Contractually required contribution	\$ 1,566,113	\$ 1,651,563
Contributions in relation to the contractually required contribution	1,566,113	1,651,563
Contribution deficiency (excess)	-	-
Covered employee payroll	12,992,158	13,745,513
Contributions as a percentage of covered employee payroll	12.05%	12.02%

* 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.*

As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
\$ 1,654,037	\$ 1,567,745
<hr/> 1,654,037	<hr/> 1,567,745
-	-
<hr/> 13,754,379	<hr/> 13,510,416
12.03%	11.60%

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

**New Mexico Junior College
 Schedule of Employer's Proportionate Share of the Net OPEB Liability of New
 Mexico Retiree Health Care Act Plan
 New Mexico Retiree Health Care Authority (NMRHCA) Plan
 Last 10 Fiscal Years***

	2018 Measurement Date (As of and for the Year Ended June 30, 2017)
New Mexico Junior College's proportion of the net OPEB liability	0.31504%
New Mexico Junior College's proportionate share of the net OPEB liability	\$ 14,276,583
New Mexico Junior College's covered-employee payroll	\$ 13,123,455
New Mexico Junior College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

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

See independent auditor's report.
 See notes to required supplementary information.

**New Mexico Junior College
Schedule of Employer Contributions
New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years***

	As of and for the Year Ended June 30, 2018
Contractually required contributions	\$ 255,779
Contributions in relation to the contractually required contribution	(255,779)
Contribution deficiency (excess)	\$ -
New Mexico Junior College's covered-employee payroll	\$ 12,935,782
Contributions as a percentage of covered-employee payroll	2.00%

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

See independent auditor's report.
See notes to required supplementary information.

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New Mexico Junior College
Notes to Required Supplementary Information
June 30, 2018

ERB Notes

Changes of benefit terms.

The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure Pension Plan – Educational Retirement Board, 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 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)

Assumption changes increased the Education Retirement Board's total pension liability by \$299,084,856 for fiscal year ending June 30, 2015 as a result of the changes of assumptions described above.

OPEB Notes

Changes of benefit terms. The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHC FY17 audit available at

http://nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NM_RHCA_Audited_FS_6.30.17.pdf

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2017 report is available at

http://nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NMRHCA_5507316_Final_per_Auditor_up_date_Final_Report_11.21.17.pdf. See the notes to the financial statements beginning on page 24 which summarizes actuarial assumptions and methods effective with the June 30, 2017 valuation.

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Supplementary Information

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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Beginning fund balance	\$ 18,705,652	\$ 17,823,065	\$ 17,963,341	\$ 140,276
Unrestricted and restricted revenues:				
State general fund appropriations	10,649,710	10,695,046	10,305,748	(389,298)
State grants and contracts	242,902	245,157	477,503	232,346
Federal revenue sources	4,846,001	4,851,212	4,433,665	(417,547)
Tuition and fees	3,812,000	3,812,000	4,142,552	330,552
Local funding	14,935,000	22,155,000	27,135,751	4,980,751
Auxiliary enterprises	2,557,000	3,031,391	3,117,519	86,128
Research	-	400,000	400,000	-
Other	416,215	420,543	950,770	530,227
Private grants	-	-	47,308	47,308
Total unrestricted and restricted revenues	37,458,828	45,610,349	51,010,816	5,400,467
Unrestricted and restricted expenditures:				
Instruction	10,372,000	10,483,344	9,797,962	685,382
Academic support	2,521,897	2,795,346	2,620,773	174,573
Student services	2,694,759	2,627,937	2,348,529	279,408
Institutional support	3,900,199	4,321,312	3,849,544	471,768
Operation and maintenance of plant	3,652,603	3,897,199	3,643,723	253,476
Research	-	1,199,186	938,286	260,900
Public Service	156,765	211,093	199,532	11,561
Auxiliary services	2,066,294	2,847,019	2,989,148	(142,129)
Intercollegiate athletics	1,270,979	1,692,115	1,635,816	56,299
Internal service	87,288	156,534	148,934	7,600
Renewal and replacement	10,653,990	9,060,365	6,816,708	2,243,657
Student aid, grants and stipends	4,657,805	4,815,770	4,759,361	56,409
Private grants	-	-	47,308	(47,308)
Total unrestricted and restricted expenditures	42,034,579	44,107,220	39,795,624	4,311,596
Net transfers	-	(849,186)	-	849,186
Change in fund balance (budgetary basis)	(4,575,751)	653,943	11,215,192	10,561,249
Ending fund balance	\$ 14,129,901	\$ 18,477,008	\$ 29,178,533	\$ 10,701,525
Change in net position per statement of revenues, expenses and changes in net position			\$ 6,116,006	
Capital outlay expenditures capitalized			(5,685,471)	
Net book value of assets disposed of			22,740	
Net pension change			6,216,718	
Net OPEB change			17,270,121	
Restatement			(16,958,307)	
Net transfer to New Horizons			260,904	
Reclassification of net assets to New Horizons			(349,185)	
Depreciation expense			4,321,666	
Financial statements change in net position reconciled			\$ 11,215,192	

See independent auditors' report.

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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	(Unfavorable) Favorable
Beginning fund balance	\$ 14,822,552	\$ 14,717,640	\$ 14,857,916	\$ 140,276
Unrestricted revenues:				
Research	-	400,000	400,000	-
Internal service dept	12,500	12,500	9,614	(2,886)
Auxiliary enterprises	2,557,000	3,031,391	3,117,519	86,128
Athletics	453,715	456,994	458,284	1,290
State Government Appropriations	-	-	75,165	75,165
STB/GOB Drawdowns	4,566,058	4,608,115	4,142,403	(465,712)
Other	-	-	323,000	323,000
Total unrestricted revenues	7,589,273	8,509,000	8,525,985	16,985
Unrestricted expenditures:				
Internal services	87,288	156,534	148,934	7,600
Student aid, grants and stipends	668,551	668,551	666,603	1,948
Auxiliary services	2,066,294	2,847,019	2,989,148	(142,129)
Intercollegiate athletics	1,270,979	1,692,115	1,635,816	56,299
Renewal and replacement	10,653,990	9,060,365	6,816,708	2,243,657
Research	-	1,199,186	938,286	260,900
Public service	-	50,000	37,779	12,221
Total unrestricted expenditures	14,747,102	15,673,770	13,233,274	2,440,496
Net transfers	2,652,331	9,236,449	15,600,747	6,364,298
Change in fund balance (budgetary basis)	(4,505,498)	2,071,679	10,893,458	8,821,779
Ending fund balance	\$ 10,317,054	\$ 16,789,319	\$ 25,751,374	\$ 8,962,055

See independent auditors' report.

New Mexico Junior College
Restricted - Non-Instruction and General
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	(Unfavorable) Favorable Final to Actual
Beginning fund balance	\$ -	\$ -	\$ -	\$ -
Restricted revenues:				
Public service	156,765	161,093	161,754	661
Federal student aid	3,989,254	4,147,219	3,775,984	(371,235)
State student aid	-	-	320,798	320,798
Private grants	-	-	47,308	47,308
Total restricted revenues	4,146,019	4,308,312	4,305,844	(2,468)
Restricted expenditures:				
Public service	156,765	161,093	161,753	(660)
Federal student aid	3,989,254	4,147,219	3,771,959	375,260
State student aid	-	-	320,799	(320,799)
Private grants	-	-	47,308	(47,308)
Total restricted expenditures	4,146,019	4,308,312	4,301,819	6,493
Net transfers	-	-	(4,025)	(4,025)
Change in fund balance (budgetary basis)	-	-	-	-
Ending fund balance	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.

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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	(Unfavorable) Favorable Final to Actual
Beginning fund balance	\$ 3,883,100	\$ 3,105,425	\$ 3,105,425	\$ -
Unrestricted revenues:				
Tuition and fees	3,812,000	3,812,000	4,142,552	330,552
State government appropriations	5,629,937	5,629,937	5,629,896	(41)
Local government appropriations	14,935,000	22,155,000	27,135,751	4,980,751
Federal grants and contracts	49,588	49,588	38,768	(10,820)
Other	246,950	246,950	456,402	209,452
Total unrestricted revenues	24,673,475	31,893,475	37,403,369	5,509,894
Unrestricted expenditures:				
Instruction	10,058,717	10,166,487	9,454,973	711,514
Academic support	2,501,303	2,774,752	2,620,773	153,979
Student services	1,990,627	2,077,878	1,915,900	161,978
Institutional support	3,888,147	4,309,260	3,849,544	459,716
Operation and maintenance of plant	3,652,603	3,897,199	3,643,723	253,476
Total unrestricted expenditures	22,091,397	23,225,576	21,484,913	1,740,663
Net transfers	(2,652,331)	(10,085,635)	(15,596,722)	(5,511,087)
Change in fund balance (budgetary basis)	(70,253)	(1,417,736)	321,734	1,739,470
Ending fund balance	\$ 3,812,847	\$ 1,687,689	\$ 3,427,159	\$ 1,739,470

See independent auditors' report.

**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, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Beginning fund balance	\$ -	\$ -	\$ -	\$ -
Restricted revenues:				
Federal government contracts/grants	807,159	654,405	618,913	(35,492)
State government contracts/grants	242,902	245,157	156,705	(88,452)
Total restricted revenues	1,050,061	899,562	775,618	(123,944)
Restricted expenditures:				
Instruction	313,283	316,857	342,989	(26,132)
Academic support	20,594	20,594	-	20,594
Student services	704,132	550,059	432,629	117,430
Institutional support	12,052	12,052	-	12,052
Total restricted expenditures	1,050,061	899,562	775,618	123,944
Net transfers	-	-	-	-
Change in fund balance (budgetary basis)	-	-	-	-
Ending fund balance	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.

Supporting Schedules

New Mexico Junior College
Schedule of Deposit and Investment Accounts
June 30, 2018

Account Name	Type	Lea County State Bank	New MexiGROW LGIP	Wells Fargo Bank
NMJC	Checking	\$ -	\$ -	\$ -
Instructional and general	Checking	-	-	4,298,338
NMJC money market	Deposit	32,649	-	-
Pell federal account	Checking	355,547	-	-
Payroll dep account	Checking	123,275	-	-
NMJC	CD	3,000,000	-	-
Agency account	Time Deposit	-	-	330,789
NMJC	Short-Term Investment	-	14,593,127	-
New Horizons Foundation	Checking	-	-	-
NMJC Foundation	Equities	-	-	-
NMJC Foundation	Mutual Funds	-	-	-
NMJC Foundation	Royalty Interest	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	CD	-	-	-
NMJC Foundation	Checking	-	-	-
NMJC Foundation	Savings	-	-	-
Amounts on deposit		3,511,471	14,593,127	4,629,127
Outstanding items		(27,237)	-	(1,154,459)
		\$ 3,484,234	\$ 14,593,127	\$ 3,474,668

Petty cash

Reconciliation to the Financial Statements:

Cash and cash equivalents

Short-term investment

Statement of Fiduciary Assets & Liabilities:

Cash & cash equivalents

Total Deposits and Investments

See independent auditors' report.

Western Commerce Bank		NMJC Foundation				New Horizons Foundation	
		Total	Merrill Lynch	Wells Fargo Bank	Total	Wells Fargo Bank	Total
\$ 25,010	\$ 25,010	\$ -	\$ -	\$ -	\$ -	\$ -	
-	4,298,338	-	-	-	-	-	
-	32,649	-	-	-	-	-	
-	355,547	-	-	-	-	-	
-	123,275	-	-	-	-	-	
-	3,000,000	-	-	-	-	-	
-	330,789	-	-	-	-	-	
-	14,593,127	-	-	-	-	-	
-	-	-	-	-	218,954	218,954	
-	-	4,089,595	-	4,089,595	-	-	
-	-	3,691,381	-	3,691,381	-	-	
-	-	19,583	-	19,583	-	-	
-	-	9,351	-	9,351	-	-	
-	-	54,767	-	54,767	-	-	
-	-	40,326	-	40,326	-	-	
-	-	28,201	-	28,201	-	-	
-	-	21,964	-	21,964	-	-	
-	-	518,000	-	518,000	-	-	
-	-	-	153,819	153,819	-	-	
-	-	-	50,583	50,583	-	-	
25,010	22,758,735	8,473,168	204,402	8,677,570	218,954	218,954	
-	(1,181,696)	(302)	(44,967)	(45,269)	-	-	
\$ 25,010	21,577,039	\$ 8,472,866	\$ 159,435	8,632,301	\$ 218,954	218,954	
	6,446			30		-	
	\$ 21,583,485			\$ 8,632,331		\$ 218,954	
	\$ 3,663,263			\$ 831,772		\$ 218,954	
	17,593,127			7,800,559		-	
	21,256,390			8,632,331		218,954	
	327,095			-		-	
	\$ 21,583,485			\$ 8,632,331		\$ 218,954	

See independent auditors' report.

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New Mexico Junior College
Schedule of Collateral Pledged by Depository
June 30, 2018

Depository	Description of Pledged Collateral	Fair Market Value June 30, 2018	Name and Location of Safekeeper
Lea County State Bank			
	Gadsden, NM ISD 2%, Due 8/15/2018	\$ 975,575	The Independent Bankers Bank Farmers Branch, TX
	Las Cruces, NM SD 4%, due 8/1/2027	486,063	The Independent Bankers Bank Farmers Branch, TX
	Los Lunas NM SD 3%, Due 07/15/2021	413,412	The Independent Bankers Bank Farmers Branch, TX
	Lea County, NM 2%, Due 10/1/2019	427,350	The Independent Bankers Bank Farmers Branch, TX
Total Lea County State Bank		2,302,400	
Wells Fargo Bank			
	FNMA FNMS 3.0% CUSIP #3138WHVN9 due 8/1/2036	1,941,542	Bank of New York Mellon New York, NY
	FNMA FNMS 2.5% CUSIP #31418B5E2 due 6/1/2031	1,053,236	Bank of New York Mellon New York, NY
Total Wells Fargo Bank		2,994,778	
		\$ 5,297,178	

See accompanying independent auditors' report.

New Mexico Junior College
Agency Funds
Schedule of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2018

	June 30, 2017	Receipts	Disbursements	June 30, 2018
Athletic Summer School	\$ 25	\$ -	\$ 25	\$ -
Baseball Booster Club	7,126	21,925	18,513	10,538
Baseball Play Pink	-	640	640	-
Cheerleaders	442	25	-	467
Athletic Training	447	258	216	489
Golf Booster Club	28,204	15,959	20,235	23,928
Men's Basketball	5,469	3,410	2,546	6,334
Women's Cross Country	976	250	150	1,076
Rodeo Club	25,816	2,603	2,576	25,843
Women's Basketball	14,614	5,648	8,844	11,419
AMP Club	180	-	180	-
ASSET Student Recognition	6,921	5,641	682	11,880
Backpacking & Camping	271	-	-	271
Burke Poetry Contest	444	-	-	444
Campus Ambassadors	1,206	299	-	1,505
College Democrats	301	51	352	-
Career Connections/Communications	299	-	299	-
Cosmetology Students	6,009	29,840	32,486	3,364
College Republicans	45	-	45	-
Drama Club	7,249	-	-	7,249
Equine Activities	4,300	3,406	-	7,706
Emergency Services Law Camp	1,762	-	-	1,762
Faculty Senate	770	-	-	770
Fallen Officers Memorial Fund	187	-	-	187
FFA	3,406	-	3,406	-
Fellowship of Christian Athletes	541	1,500	455	1,586
FCA Special Events	108	-	-	108
Ford ASSET Helping Hand	400	-	-	400
Geology Club	605	-	-	605
Healthy Active Lifestyle Challenge	94	-	-	94
GM ASEP Student Recognition	550	1,170	585	1,135
Law Enforcement Guest Speakers	311	-	-	311
Moran Lecture Series	5,672	5,333	5,600	5,405
NJCAA Division I Golf Association	43	-	43	-
NMJC Band Club	6,260	3,925	5,754	4,431
NMJC Sensations	4,623	-	-	4,623
NMJC Social Committee	8,003	8,262	4,441	11,825
Nature Trail Sculptures	6,385	-	-	6,385
NM Education Service Center	26,115	-	26,115	-
Phi Beta Lambda-NMJC	239	-	-	239
MU Alpha Theta	-	33,751	30,935	2,816
Phi Theta Kappa	1,852	20,135	21,699	288
Library Contest	100	-	100	-
Sub-Total	\$ 178,289	\$ 164,032	186,919	\$ 155,483

See independent auditors' report.

	June 30, 2017	Receipts	Disbursements	June 30, 2018
Sub-Total	\$ 178,289	\$ 164,032	186,919	\$ 155,483
Rope Climbing and Rappelling Club	505	390	513	382
Red Cross Donations	-	5,448	5,448	-
Short Go Bible Study	450	-	450	-
Sigma Kappa Delta	100	-	100	-
Student Nurses Association	3	-	-	3
Student Senate	-	296	-	296
Support and Maintenance Council	3,700	984	1,097	3,587
Thunderbird Booster Club	171	2,335	2,431	75
Athletic Department	60	75	75	60
Talent Search	10	-	-	10
NMJC Skills USA-High School	2,522	19,431	18,596	3,357
Prepaid Tuition Agreement	24,603	818	1,143	24,278
SBDC Program Services	32,310	12,663	10,490	34,483
Student Support Services-SSS	104	-	-	104
Suicide Awareness Prevention Event	207	-	-	207
NMJC Research Foundation	7,928	-	-	7,928
Upward Bound	8,763	2,134	10,897	-
Western Heritage Donations	32,181	17,081	8,841	40,421
Western Heritage Museum Memorial	2,496	-	-	2,496
Western Heritage Museum Membership	33,439	18,066	10,680	40,825
WHM Special Events	2,538	15,294	17,150	682
WHM Centennial	8,023	60	2,095	5,987
Western Heritage Horticultural	9,110	1,639	5,853	4,895
WHM Mammoth Fund Raiser	608	-	-	608
WHM Discretionary Fund	1,196	2,489	2,756	929
WHM Titanic Exhibit	-	435.20	435	-
Total agency fund cash	350,161	263,668	285,970	327,095
Accounts Payable	(12,470)	(3,681)	12,470	(3,681)
Due to student organizations	\$ 337,691	\$ 259,987	298,440	\$ 323,414

See independent auditors' report.

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Compliance Section

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

INDEPENDENT AUDITORS' REPORT

Wayne Johnson
New Mexico State Auditor
The Office of Management and Budget and
New Mexico Junior College Board
New Mexico Junior College

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component units, and the fiduciary fund of the New Mexico Junior College (the "College") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 31, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as CU FS 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

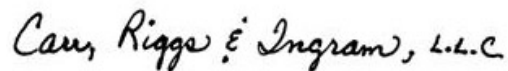
As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

College's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
October 31, 2018

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Federal Financial Assistance

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

INDEPENDENT AUDITORS' REPORT

Wayne Johnson
New Mexico State Auditor
The Office of Management and Budget
New Mexico Junior College Board
New Mexico Junior College

Report on Compliance for the Major Federal Program

We have audited New Mexico Junior College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2018. The College's major federal program is 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 the College's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2018.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

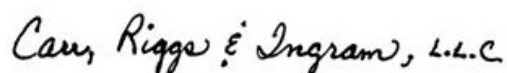
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as FA 2018-001 that we consider to be a significant deficiency.

College's Response to Finding

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

Purpose of this Report

The purpose of this report 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.



Carr, Riggs & Ingram, LLC
Albuquerque, NM
October 31, 2018

New Mexico Junior College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor/Program Title	Pass through Number	Federal C.F.D.A. Number	Federal 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	\$ 2,947,195	\$ -
Federal SEOG Program	(1)	42325	84.007	31,204	-
Federal Work Study Program	(1)	42511	84.033	33,115	-
Total student financial assistance cluster			3,011,514		
TRIO Cluster:					
TRIO-Student Support Services	(2)	41131	84.042A	281,690	-
TRIO-Upward Bound	(2)	41133	84.047A	74,468	-
Total TRIO cluster			356,158		
US Nuclear Regulatory Commission					
US NRC Scholarships		41142	77.008	14,636	-
US Department of Labor Employment & Training Administration					
TAACCT Grant		41151	17.282	61,834	-
US Department of Agriculture and Rural Development					
Distance Learning & Telemedicine		41115	10.855	89,414	-
Passed through New Mexico					
Public Education Department:					
Adult Basic Education Federal		41310	84.002	96,871	-
Total US Department of Education			3,630,427		
US Small Business Administration					
Passed through New Mexico					
Public Education Department:					
Small Business Development Center		41220	59.037	21,906	-
Total Expenditures of Federal Awards			\$ 3,652,333	\$ -	-

* Tested as major program

() Denotes cluster

Federal Direct loans advanced to students in fiscal year 2018 in the amount of \$760,445 were not included on this schedule.

See independent auditors' report.

See notes to the schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Basis of Presentation

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

Loans

The College did not expend federal awards related to loan guarantees during the year. Federal Direct Loans advanced to students in fiscal year 2018 totaled \$760,445.

10% de minimus Indirect Cost Rate

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

Federally Funded Insurance

The College has no federally funded insurance.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$	3,652,333
Total expenses funded by other sources		39,609,286
<hr/>		
Total expenses per statement of revenues, expenses, and changes in net position	\$	43,261,619
<hr/>		

New Mexico Junior College
Schedule of Findings and Questioned Costs
June 30, 2018

SECTION I - 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? | Yes |
| 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:

<u>CFDA Numbers</u>	<u>Federal Program</u>
84.063	Student Financial Assistance Cluster Federal PELL Grant program Federal SEOG program Federal Work Study program Federal Direct Loans
84.007	
84.033	
84.268	

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

SECTION II – PRIOR YEAR AUDIT FINDINGS

FS 2016-001 – Detailed Inventory Listing Not Provided – Significant Deficiency (Resolved)

New Mexico Junior College
Schedule of Findings and Questioned Costs
June 30, 2018

SECTION III – FINANCIAL STATEMENT FINDINGS

Component Unit - NMJC Foundation

CU FS 2018-001 – Journal entries are not reviewed - Significant Deficiency

Condition: During journal entry testing it noted no review is completed over journal entries prepared for the Foundation.

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 journal entry controls, the NMJC Foundation might incorrectly book an entry.

Cause: No review process occurring over journal entries made by the Foundation.

Auditors' Recommendation: The Foundation should set up a review process over journal entries. An employee other than the preparer should review and sign off on journal entries.

Views of Responsible Officials and Planned Corrective Actions: The NMJC Foundation staff agrees that a policy needs to be in place that allows for approval of journal entries prepared by the NMJC Foundation accountant/controller. Beginning in the fall of 2018, the NMJC Foundation accountant/controller will obtain approval from the accountant/controller's direct supervisor, the college controller or the college VP for Finance.

New Mexico Junior College
Schedule of Findings and Questioned Costs
June 30, 2018

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

FA 2018-001 – Student Aid Verification - Significant Deficiency

Federal Program Information:

Funding Agency:	Department of Education
Title:	Student Financial Aid Cluster
CFDA Number:	84.007, 84.033, 84.063, and 84.268
Federal Award Identification number	All Major Programs
Award Year:	2017-18

Condition: When the College completed verification they would mark the record “complete” but not lock the award amount. The College imports Institutional Student Information Records (ISIR) from the Department of Education on an ongoing basis. When a new ISIR is received by Banner, the system will replace the current ISIR (if applicable) if it is not “locked” automatically.

Criteria: Per the 2017-2018 Application and Verification Guide, disbursement of aid may not be made until conflicting information has been resolved and must be done for any student as long as he or she is at the school. Even if the conflict concerns a previous award year, it must still be investigated. The matter is resolved when it has been determined which data is correct.

Questioned costs: None

Effect: Changes in student information could change the amount of funding received.

Cause: The College did not update policies and procedures during the Uniform Guidance implementation for the condition discussed above.

Auditor's Recommendation: When verification is complete the ISIR should be locked so that no further ISIR's can override the current verified ISIR.

Management Response: Per discussion with Financial Aid Director and the Database Administrator/Programmer Analyst, the College did not have procedures in place to check for newly imported ISIR to be used in place of verified ISIRs. At the beginning of the fall 2018, the College has corrected the problem by instituting new procedures where the Financial Aid Director will manually lock verified ISIR's.

SECTION V – SECTION 12-6-5 NMSA 1978 FINDINGS

None noted.

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, 2018 by Carr, Riggs & Ingram, LLC. The responsibility for these financial statements remains with the College.

EXIT CONFERENCE

The contents of this report and its schedules related to the component units were discussed on October 29, 2018. The following persons were in attendance:

Foundation Officials

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

College Officials

Ron Black, Board Secretary
Dr. Kelvin Sharp, President
Dan Hardin, Vice-President for Finance
Josh Morgan, Accountant/Comptroller

Carr, Riggs & Ingram, LLC

Cindy Bryan, Partner
Alan D. Bowers, Jr., CPA, Partner
Paul Garcia, Supervisor In-Charge