

State of New Mexico
New Mexico Junior College

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019



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June 30, 2019

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**New Mexico Junior College
Official Roster
June 30, 2019**

<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
Larry Sanderson	Vice-President for Instruction
Norma Faught	Executive Assistant to the President
Cathy Mitchell	Vice-President of Student Services
Sheryl Pounds	Human Resources
Jeff McCool	Vice-President for Training and Outreach
Josh Morgan	Controller NMJC
Tina Kunko	Controller NMJC Foundation

New Mexico Junior College
Official Roster
June 30, 2019

<u>Name</u>	<u>Title</u>
NMJC FOUNDATION BOARD MEMBERS	
John Graham	President
David Whitten	Vice-President
Tina Kunko	Secretary
Dan Hardin	Treasurer
Dr. Kelvin Sharp	Member
Kristin Abel	Member
Pat Chappelle	Member
Aaron Forrister	Member
Megan Gallegos	Member
Joshua Grassham	Member
Robert Guthrie	Member
Dr. Lisa Hardison	Member
Randy Holladay	Member
Rosi Insilan	Member
Guy Kesner	Member
Josh Manseau	Member
Alison Ollinger Riefstahl	Member
Valerie Onsurez Gauna	Member
T.J. Parks	Member
David Pyeatt	Member
Michael Raburn	Member
Allyson Roberts	Member
Scott Smith	Member
Kali Taylor	Member

**New Mexico Junior College
Official Roster
June 30, 2019**

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

Report

INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq.
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, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. 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, 2019, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of 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, 2019, 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 13 through 19, the Education Retirement Board (ERB) Pension and OPEB Plan Schedules required by GASB on pages 78 through 84, 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 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 Deposit and Investment Accounts, the Schedule of Collateral Pledged by Depository, the Schedule of Changes in Fiduciary Assets and Liabilities, and other disclosures 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 Deposit and Investment Accounts, the Schedule of Collateral Pledged by Depository, and the Schedule of Changes in Fiduciary Assets 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 Deposit and Investment Accounts, the Schedule of Collateral Pledged by Depository, 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 and other disclosures have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, 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, 2019

New Mexico Junior College Management's Discussion and Analysis June 30, 2019

Overview of the Financial Statements and Financial Analysis

For financial reporting purposes, New Mexico Junior College (the "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 (the "Foundation") and the New Horizons Foundation ("New Horizons") as discretely presented component units for fiscal year 2019.

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, 2019. This discussion gives a comparative analysis of business-type activity from fiscal year 2018 to fiscal year 2019.

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 \$73,371,566.

The College's financial position increased in 2018/2019 as compared to prior years. Net position increased during the year by \$9,134,804 over the previous year. The increase resulted primarily from an increase in Local Mill Levy funding offset by a decrease in State GOB funding.

The College's investments reflect \$27,645,781 at June 30, 2019, \$24,593,127 with the Local Government Investment Pool and \$3,052,654 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, deferred outflows of resources, liabilities, and deferred inflows of resources—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, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2019, and includes the comparison to the prior year.

New Mexico Junior College
Management's Discussion and Analysis
June 30, 2019

Statement of Net Position

	June 30, 2019	June 30, 2018	June 30, 2019 NMJC Foundation	June 30, 2019 New Horizons
Assets:				
Current assets	\$ 42,047,086	\$ 31,940,001	\$ 491,986	\$ 377,939
Capital assets, net	89,897,775	83,894,294	-	-
Noncurrent assets:				
Intangible asset	-	-	75,000	28,865
Investments	-	-	9,063,097	-
Capital assets, net	-	-	286,876	-
Deferred outflows	11,916,237	15,673,062	-	-
Total assets and deferred outflows	\$ 143,861,098	\$ 131,507,357	\$ 9,916,959	\$ 406,804
Liabilities:				
Current liabilities	\$ 3,774,054	\$ 2,900,694	\$ 52,027	\$ 14,626
Non-current liabilities	61,265,012	60,187,971	-	-
Deferred inflows	5,450,466	4,181,930	-	-
Total liabilities and deferred inflows	70,489,532	67,270,595	52,027	14,626
Net position:				
Net investment in capital assets	89,897,775	83,894,294	286,876	-
Restricted:				
Nonexpendable endowments	-	-	5,983,312	-
Expendable grants and contributions	-	-	3,348,321	-
Unrestricted	(16,526,209)	(19,657,532)	246,423	392,178
Total net position	73,371,566	64,236,762	9,864,932	392,178
Total liabilities, deferred inflows, and and net position	\$ 143,861,098	\$ 131,507,357	\$ 9,916,959	\$ 406,804

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 \$64,236,762 at the close of June 30, 2018, as compared to the \$73,371,566 as of June 30, 2019. As of June 30, 2019, net investment in capital assets was in the amount of \$89,897,775. The College uses these capital assets in its mission to provide postsecondary educational services to the College's service area; consequently, these assets are not available for future spending. Net capital assets increased in the 2019 fiscal year by \$6,003,481, net of depreciation expense of \$4,667,384. Net position also consists of unrestricted net position of (\$16,526,209). The negative unrestricted net position is due to the recording of net pension liability of \$48,092,108 and the recording of OPEB liability of \$13,172,904. See note 6 in the notes to the financial statements for a further discussion of the pension and note 7 of the notes to the financial statements for a further discussion of the OPEB. The statement of net position indicates growth in Investments due to an increase in Local Mill Levy funding and an increase in capital assets due to the addition of capital projects such as the NMJC Track Upgrades and the NMJC Allied Health Building.

**New Mexico Junior College
Management's Discussion and Analysis
June 30, 2019**

The following table summarizes the College's revenues, expenses, and changes in net position for the year ending June 30, 2019 and includes a comparison to the year ended June 30, 2018.

Revenues, Expenses and Changes in Net Position

	June 30, 2019	June 30, 2018	June 30, 2019 NMJC Foundation	June 30, 2019 New Horizons
Operating revenues	\$ 8,667,271	\$ 9,130,945	\$ 992,999	\$ 405,100
Operating expenses	43,966,272	43,261,619	555,326	726,321
Operating (loss) income	(35,299,001)	(34,130,674)	437,673	(321,221)
Non-operating revenues and expenses	44,029,846	36,104,277	715,845	452,499
Income before other revenue	8,730,845	1,973,603	1,153,518	131,278
Capital appropriations	403,959	4,142,403	-	-
Net position, restatement	-	(16,958,307)	-	-
Net position, reclassification	-	(349,185)	-	-
Increase (decrease) in net position	\$ 9,134,804	\$ (11,191,486)	\$ 1,153,518	\$ 131,278

Analysis of Changes in Net Position

The College's net position increased by \$9,134,804 during the 2019 fiscal year as compared to a decrease of \$11,191,486 for the 2018 fiscal year. The increase is due to an increase in the Local Mill Levy funding offset by a decrease in State GOB funding. Operating revenues were \$8,667,271 in 2019, which is a decrease of \$436,674 from fiscal year 2018. Operating expenses were \$43,966,272 in fiscal year 2019, which is an increase of \$704,653 from fiscal year 2018.

Operating Revenues

The following table summarizes the College's operating revenues of \$8,667,271 for the fiscal year ended June 30, 2019, as compared to the operating revenues of \$9,130,945 in 2018. Fiscal Year 2019 reflects an increase in revenues from federal grants and contracts and intercollegiate athletics and a decrease in revenues from student tuition, fees and trainings; state and other grants and contracts; and auxiliary enterprises. The Foundation revenues for the year total \$992,999, which is an increase from fiscal year 2018. New Horizons revenues for the year total \$405,100, which is an increase from fiscal year 2018.

**New Mexico Junior College
Management's Discussion and Analysis
June 30, 2019**

	June 30, 2019	June 30, 2018	June 30, 2019 NMJC Foundation	June 30, 2019 New Horizons
Student tuition, fees and trainings	\$ 3,960,487	\$ 4,142,552	\$ -	\$ -
Federal grants and contracts	825,356	726,025	-	-
State and other grants and contracts	648,652	686,565	-	-
Auxiliary enterprises	2,768,612	3,117,519	-	-
Intercollegiate athletics	464,164	458,284	-	-
Hydro tool sales	-	-	-	5,100
Gifts, bequests, and endowments	-	-	992,999	400,000
Total operating revenues	\$ 8,667,271	\$ 9,130,945	\$ 992,999	\$ 405,100

Operating Expenses

The following table summarizes the College's operating expenses of \$43,966,272 for the fiscal year ended June 30, 2019, as compared to the operating expenses of \$43,261,619 in 2018. The increase in operating expenses is attributed to an increase in public service, intercollegiate athletics, renewals and replacements, and depreciation and a decrease in instruction, academic support, student services, institutional support, operations and maintenance, auxiliary enterprises, internal services, student aid, and private grants. The Foundation expenses for the year were \$555,326, and New Horizons expenses for the year were \$726,321.

	June 30, 2019	June 30, 2018	June 30, 2019 NMJC Foundation	June 30, 2019 New Horizons
Instruction	\$ 12,101,182	\$ 12,471,379	\$ -	\$ -
Academic support	2,845,660	2,990,456	-	-
Student services	2,687,627	3,109,919	-	-
Institutional support	4,797,140	4,842,134	531,240	726,321
Operations and maintenance	3,703,142	4,375,511	-	-
Public service	541,907	256,369	-	-
Auxiliary enterprise expenses	2,819,640	3,152,129	-	-
Intercollegiate athletics	2,933,032	1,757,890	-	-
Internal service	319,388	467,913	-	-
Student aid	3,996,144	3,998,915	-	-
Private grants	34,453	47,308	-	-
Renewals and replacements	2,519,573	1,470,030	-	-
Depletion	-	-	12,356	-
Depreciation	4,667,384	4,321,666	11,730	-
Total operating expenses	\$ 43,966,272	\$ 43,261,619	\$ 555,326	\$ 726,321

**New Mexico Junior College
Management's Discussion and Analysis
June 30, 2019**

Non-Operating Revenues (Expenses)

The following table summarizes the College's non-operating revenues (expenses) of \$44,029,846 for the fiscal year ended June 30, 2019. Local appropriations remained strong in fiscal year 2019 with an increase of \$7,370,502 compared to an increase of \$6,135,664 in fiscal year 2018. 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, 2019	June 30, 2018	June 30, 2019 NMJC Foundation	June 30, 2019 New Horizons
Property taxes	\$ 10,742,008	\$ 9,940,537	\$ -	\$ -
Oil and gas taxes	23,764,245	17,195,214	-	-
Federal pell grants	2,961,564	2,947,195	-	-
State appropriations, non-capital	5,984,204	5,705,061	-	-
Other revenue sources	538,809	350,451	-	2,498
Transfer from the Foundation	-	300,000	-	-
Net transfer to New Horizons	(450,001)	(449,996)	-	450,001
Investment income	458,303	138,555	678,375	-
(Loss) gain on sale of capital assets	30,714	(22,740)	-	-
Production taxes	-	-	(1,776)	-
Royalties	-	-	39,246	-
Total non-operating revenues and expenses	\$ 44,029,846	\$ 36,104,277	\$ 715,845	\$ 452,499

Increase in Net Position

The following table summarizes the College's increase in net position of \$9,134,804 for June 30, 2019 compared to the decrease in net position of \$11,191,486 for June 30, 2018. The increase in net position is due to an increase in Local Mill Levy funding offset by a decrease in State GOB funding.

	June 30, 2019	June 30, 2018	June 30, 2019 NMJC Foundation	June 30, 2019 New Horizons
Income before capital appropriations	\$ 8,730,845	\$ 1,973,603	\$ 1,153,518	\$ 131,278
Capital appropriations	403,959	4,142,403	-	-
Increase (decrease) in net position	9,134,804	6,116,006	1,153,518	131,278
Net position, beginning of year	64,236,762	75,428,248	8,711,414	-
Net position, restatement	-	(16,958,307)	-	-
Net position, reclassification	-	(349,185)	-	260,900
Net position - end of year	\$ 73,371,566	\$ 64,236,762	\$ 9,864,932	\$ 392,178

**New Mexico Junior College
Management's Discussion and Analysis
June 30, 2019**

Capital Assets and Debt Administration

At June 30, 2019, the College had \$89,897,775 invested in capital assets as compared to \$83,894,294 at June 30, 2018. The Foundation had \$23,459 for radio equipment and \$275,146 in newly donated minerals for total net capital assets of \$286,876.

Capital Assets, Net

	June 30, 2019	June 30, 2018	June 30, 2019 NMJC Foundation	June 30, 2019 New Horizons
Land Improvements	\$ 2,001,104	\$ 2,061,616	\$ -	\$ -
Buildings	56,802,124	59,138,540	-	-
Infrastructure	13,606,008	14,609,244	-	-
Software	734,339	867,305	-	-
Library books	461,848	477,375	-	-
Furniture and equipment	2,671,781	1,812,083	11,730	-
Vehicles	242,344	229,362	-	-
Construction in progress	13,205,664	4,490,506	-	-
Land	172,563	208,263	-	-
Minerals	-	-	275,146	-
Net capital assets	\$ 89,897,775	\$ 83,894,294	\$ 286,876	\$ -

Major capital expenditures during the 2019 fiscal year include the New Mexico Junior College Allied Health Building, the NMJC Track Upgrades project, and various land improvement projects and equipment and vehicle purchases.

The College has no debt outstanding at June 30, 2019.

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):

	2019	2018
Current funds		
Unrestricted	1.17	1.13
Restricted	<0.20>	<0.15>
Plant funds	3.94	<1.70>



New Mexico Junior College Management's Discussion and Analysis June 30, 2019

Economic Outlook

The College is the community college, early college, dual credit, and vocational training college center for the communities of Lea County, 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. Twelve 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. Although the funding expectations from the State Legislative Finance Committee for fiscal year 2021 are projected to be slightly higher. The local economy in Lea County is currently very busy, especially in the oil and gas sector. Oil and gas production level is very strong and the oil and gas prices have increased or stayed steady for the past eighteen months. At the end of June 2019, the unemployment rate in Lea County was 4% while the state unemployment level was around 4.9%. Historically, the unemployment rate in Lea County drives the student enrollment at the College. Although, during this strong oil and gas economy, the enrollment numbers are showing signs of increasing. The NMJC Board and Administration continue to look for better methods of providing learning opportunities for full-time students and especially part-time students with different class times, online offerings, vocational training, low tuition, housing, and athletics.

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 fifty to sixty dollar a barrel range, and production in the County remains very strong. It appears that the economy in Lea County for the remainder of 2019 and through 2020 will stay steady. With the view that the current price of oil and level of production will continue through 2020. 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 the College for the coming year appears to be positive. In 2019, the College developed a new Master Plan to use as the road map for the next ten years for maintaining and upgrading the College campus. The College does not have any debt to service, placing the College in a better position to weather most funding issues.

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Financial Statements

New Mexico Junior College
Statement of Net Position
June 30, 2019

	Primary Government	NMJC Foundation	New Horizons Foundation
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,547,037	\$ 480,125	\$ 340,880
Short-term investments	27,645,781	-	-
Accounts receivable, net	7,762,632	11,861	6,120
Inventory	452,914	-	-
Prepaid expenses	419,775	-	30,939
Prepaid summer expenses	218,947	-	-
Total current assets	42,047,086	491,986	377,939
Non-current assets:			
Intangible asset	-	75,000	28,865
Investments	-	9,063,097	-
Non-depreciable assets	13,378,227	-	-
Depreciable assets, net	76,519,548	286,876	-
Total non-current assets	89,897,775	9,424,973	28,865
Total assets	131,944,861	9,916,959	406,804
Deferred outflows			
Deferred outflows - Pension	11,668,849	-	-
Deferred outflows - OPEB	247,388	-	-
Total deferred outflows	11,916,237	-	-
Total assets and deferred outflows	\$ 143,861,098	\$ 9,916,959	\$ 406,804

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

	Primary Government	NMJC Foundation	New Horizons Foundation
Liabilities			
Current liabilities:			
Accounts payable	\$ 1,199,180	\$ 52,027	\$ 14,626
Accrued expenses	1,053,726	-	-
Unearned revenues	1,253,905	-	-
Compensated absences	267,243	-	-
Total current liabilities	3,774,054	52,027	14,626
Non-current liabilities:			
OPEB liability	13,172,904	-	-
Net pension liability	48,092,108	-	-
Total non-current liabilities	61,265,012	-	-
Deferred inflows:			
Deferred inflows - Pension	1,491,378	-	-
Deferred inflows - OPEB	3,959,088	-	-
Total deferred inflows	5,450,466	-	-
Total liabilities and deferred inflows	70,489,532	52,027	14,626
Net position			
Net investment in capital assets	89,897,775	286,876	-
Restricted for:			
Nonexpendable endowments	-	5,983,312	-
Expendable grants and contributions	-	3,348,321	-
Unrestricted	(16,526,209)	246,423	392,178
Total net position	73,371,566	9,864,932	392,178
Total liabilities and net position	\$ 143,861,098	\$ 9,916,959	\$ 406,804

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

New Mexico Junior College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

	Primary Government	NMJC Foundation	New Horizons Foundation
Operating revenues:			
Student tuition, fees and trainings	\$ 3,960,487	\$ -	\$ -
Federal grants and contracts	825,356	-	-
State and other grants and contracts	648,652	-	-
Auxiliary enterprises	2,768,612	-	-
Intercollegiate athletics	464,164	-	-
Hydro tool sales	-	-	5,100
Gifts, bequests and endowments	-	992,999	400,000
Total operating revenues	8,667,271	992,999	405,100
Operating expenses:			
Instruction	12,101,182	-	-
Academic support	2,846,896	-	-
Student services	2,689,561	-	-
Institutional support	4,793,970	531,240	726,321
Operations and maintenance	3,703,142	-	-
Public service	541,907	-	-
Auxiliary enterprise expenses	2,819,640	-	-
Intercollegiate athletics	2,921,308	-	-
Internal service	319,388	-	-
Student aid	3,996,144	-	-
Private grants	34,453	-	-
Renewals and replacements	2,621,074	-	-
Depletion	-	12,356	-
Depreciation	4,667,384	11,730	-
Total operating expenses	44,056,049	555,326	726,321
Operating (loss) gain	(35,388,778)	437,673	(321,221)
Non-operating revenues (expenses):			
Property taxes	10,742,008	-	-
Oil and gas taxes	23,764,245	-	-
Federal pell grants	2,961,564	-	-
State appropriations, non-capital	5,984,204	-	-
Other revenue and expenses	628,586	-	2,498
Net transfer to New Horizons	(450,001)	-	450,001
Investment income	458,303	678,375	-
Gain from the sale of capital assets	30,714	-	-
Production (taxes)	-	(1,776)	-
Royalties	-	39,246	-
Net non-operating revenues (expenses)	44,119,623	715,845	452,499

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

	Primary Government	NMJC Foundation	New Horizons Foundation
<i>(Continued)</i>			
Income (loss) before capital appropriations	\$ 8,730,845	\$ 1,153,518	\$ 131,278
State appropriations, capital	403,959	-	-
Change in net position	9,134,804	1,153,518	131,278
Net position, beginning of year	64,236,762	8,711,414	260,900
Net position, end of year	\$ 73,371,566	\$ 9,864,932	\$ 392,178

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, 2019

	Primary Government
<hr/>	
Cash flows from operating activities:	
Tuition, fees and trainings	\$ 1,490,149
Federal and state grants and contracts	2,104,525
Auxiliary enterprise charges	2,768,612
Intercollegiate athletics	464,164
Payments to employees and for employee benefits	(12,245,654)
Disbursement of net aid to students	(7,271,293)
Payments to suppliers	(8,938,897)
Net cash (used) by operating activities	(21,628,394)
<hr/>	
Cash flows from noncapital financing activities:	
State appropriations	5,984,204
Federal pell grants	2,961,564
Property taxes	11,090,952
Oil and gas taxes	22,677,405
Net cash provided by noncapital financing activities	42,714,125
<hr/>	
Cash flows from capital financing activities:	
Capital appropriations	403,959
Purchase of capital assets	(10,924,400)
Proceeds from sale of capital assets	284,249
Other revenue sources	628,586
Net cash (used) by capital financing activities	(9,607,606)
<hr/>	
Cash flows from investing activities:	
Interest received on investments	458,303
Net cash provided by investing activities	458,303
<hr/>	
Net increase in cash and cash equivalents	11,936,428
Cash and cash equivalents - beginning of year	21,256,390
Cash and cash equivalents - end of year	\$ 33,192,818
<hr/> <hr/>	
Reconciliation to statement of net position	
Cash and cash equivalents	\$ 5,547,037
Short-term investments	27,645,781
Cash and cash equivalents - end of year	\$ 33,192,818
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The accompanying notes are an integral part of these financial statements.

	Primary Government
Operating (loss)	\$ (35,388,778)
Reconciliation of operating loss to net cash (used) by operating activities:	
Depreciation expense	4,667,384
Noncash pension expense	6,576,686
Noncash OPEB benefit	(393,908)
Transfer to New Horizons	(450,001)
Changes in assets and liabilities:	
Accounts receivable, net less property and oil and gas receipts	2,463,467
Prepaid expenses	1,717
Prepaid summer expenses	64,191
Inventory	37,864
Accounts payable	731,704
Accrued expenses	(8,945)
Deferred outflows - subsequent contributions - pension	32,911
Deferred outflows - subsequent contributions - OPEB	8,391
Unearned revenues	(6,871)
Compensated absences	35,794
Net cash (used) by operating activities	\$ (21,628,394)
Supplemental cash flow information	
Gain on disposal of capital assets	\$ 30,714

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

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New Mexico Junior College
Statement of Fiduciary Assets and Liabilities
June 30, 2019

	Agency Fund
Assets	
Cash and cash equivalents	\$ 340,987
Accounts receivable	3,000
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Total assets	\$ 343,987
<hr/>	
Liabilities	
Accounts payable	\$ 2,383
Due to student organizations	341,604
<hr/>	
Total liabilities	\$ 343,987
<hr/>	

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

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

2. Financial Reporting Entity

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. *Financial Reporting Entity (continued)*

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Financial Reporting Entity (continued)

In addition to the activities set forth above, the New Horizons Foundation:

- Works with faculty and staff of the 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; and
- 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. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Basis of Accounting

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

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.

5. 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, 2019, the amount of cash and cash equivalents reported on the financial statements differs from the amount on deposit with the various financial institutions because of transactions in transit and outstanding checks.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. 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.

7. 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.

8. 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.

9. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Capital Assets (Continued)

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	40
Software	5-10
Library books	5
Furniture and equipment	5-7
Vehicles	5

10. 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.

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.

11. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Revenue (Continued)

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.

12. 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 \$10,742,008 or 20% of total revenue in fiscal year 2019. Oil and gas production and equipment tax revenue fluctuates significantly upon demand and was \$23,764,245 or 44% of total revenue in fiscal year 2019.

13. 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: Net position is reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. 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.

15. Budgetary Process

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

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appointed in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as restricted fund balance.

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Budgetary Process (Continued)

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

16. 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.

17. 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).

18. 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.

19. 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 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

20. Post-employment

For purposes of measuring the post-employment liability, deferred outflows of resources and deferred inflows of resources related to post-employment, and postemployment expense, information about the fiduciary net position of the Retiree Health Care Act (RHCA) and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA, on the economic resources measurement focus and accrual basis accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

21. Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the College are management's estimate of depreciation on assets over their estimated useful lives, net pension liability and related deferred inflows and outflows of resources, and the current portion of accrued compensated absences.

22. New Accounting Standards Adopted

During the year ended June 30, 2019, the College adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*, and GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. These two statements are required to be implemented as of June 30, 2019, if applicable.

The implementation of these statements did not have a significant impact on the College because the activities of the College were not affected by the statements in a material manner.

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, 2019.

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

New Mexico Junior College
Notes to Financial Statements
June 30, 2019

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, 2019, \$5,722,434 of the College's bank balances of \$9,247,469 was exposed to custodial credit risk. \$3,726,546 was uninsured and collateralized by the collateral held by the pledging bank's trust department, not in the College's name. \$1,995,888 of the College's deposits were uninsured and uncollateralized at June 30, 2019.

	Lea County State Bank	Wells Fargo Bank	Western Commerce Bank	Total
Total amount of deposits	\$ 4,031,524	\$ 5,190,910	\$ 25,035	\$ 9,247,469
Deposit accounts covered by the FDIC coverage	(3,250,000)	(250,000)	(25,035)	(3,525,035)
Total uninsured public funds	781,524	4,940,910	-	5,722,434
Collateralized by securities held by the pledging institution or by its trust department or agent other than the College's name	781,524	2,945,022	-	3,726,546
Uninsured and uncollateralized	\$ -	\$ 1,995,888	\$ -	\$ 1,995,888
Collateral requirement (50% of uninsured public funds)	\$ 390,762	\$ 2,470,455	\$ -	\$ 2,861,218
Pledged security	1,281,586	2,945,022	-	4,226,608
Over collateralization	\$ 890,824	\$ 474,567	\$ -	\$ 1,365,390

The collateral pledged is listed on Schedule of Collateral Pledged by Depository of this report. The types of collateral allowed are limited to direct obligations of the United States Government, all bonds issued by any agency, District or political subdivision of the State of New Mexico, securities, including student loans, that are guaranteed by the United States or the state of New Mexico, revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated BAA or above by a nationally recognized bond rating service, or letter of credit issued by a federal home loan bank.

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 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, 2019, 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, 2019

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Credit Quality and Interest Rate Risk

Investment Type	Weighted Average Maturity	Fair Value	Rating*
<i>New MexiGROW</i> LGIP	106 days	\$ 24,593,127	AAAm

*Based off Standard & Poor's rating

\$3.05 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, 2019, 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
Notes to Financial Statements
June 30, 2019

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.

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 \$27,645,781.

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

Deposits	\$	9,247,469
<i>New MexiGROW LGIP</i>		24,593,127
<hr/>		
Total deposits and investments		33,840,596
Petty cash		6,450
Less: reconciling items		(313,241)
<hr/>		
Total cash and cash equivalents and investments	\$	33,533,805
<hr/>		
Statement of net position:		
Cash and cash equivalents	\$	5,547,037
Short-term investments		27,645,781
<hr/>		
Cash and cash equivalents, end of year per statement of cash flows		33,192,818
Statement of fiduciary assets and liabilities:		
Cash and cash equivalents		340,987
<hr/>		
Net deposits and investments	\$	33,533,805
<hr/>		

New Mexico Junior College
Notes to Financial Statements
June 30, 2019

NOTE 3: ACCOUNTS RECEIVABLE

The College's accounts receivable at June 30, 2019 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	\$ 629,093
Oil and gas taxes	6,008,295
General receivables	154,398
Student receivables	1,998,115
Other receivable	170,021
	<hr/> 8,959,922
Less: allowance for uncollectible accounts	<hr/> (1,197,290)
Net total accounts receivable	<hr/> <hr/> \$ 7,762,632

New Mexico Junior College
Notes to Financial Statements
June 30, 2019

NOTE 4: CAPITAL ASSETS

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

	June 30, 2018	Additions	Deletions	June 30, 2019
Assets not being depreciated:				
Construction in progress	\$ 4,490,506	\$ 8,715,158	\$ -	\$ 13,205,664
Land	208,263	-	(35,700)	172,563
Total assets not being depreciated	4,698,769	8,715,158	(35,700)	13,378,227
Assets being depreciated:				
Land improvements	6,500,496	176,721	-	6,677,217
Buildings	86,057,733	-	(1,195,475)	84,862,258
Infrastructure	20,549,977	-	(21,631)	20,528,346
Software	2,182,486	-	-	2,182,486
Library books	922,704	134,905	(172,181)	885,428
Furniture and equipment	10,119,021	1,754,636	(1,261,968)	10,611,689
Vehicles	1,838,990	142,980	(56,567)	1,925,403
	128,171,407	2,209,242	(2,707,822)	127,672,827
Less accumulated depreciation:				
Land improvements	(4,438,880)	(237,233)	-	(4,676,113)
Buildings	(26,919,193)	(2,153,414)	1,012,473	(28,060,134)
Infrastructure	(5,940,733)	(1,003,236)	21,631	(6,922,338)
Software	(1,315,181)	(132,966)	-	(1,448,147)
Library books	(445,329)	(150,432)	172,181	(423,580)
Furniture and equipment	(8,306,938)	(860,105)	1,227,135	(7,939,908)
Vehicles	(1,609,628)	(129,998)	56,567	(1,683,059)
	(48,975,882)	(4,667,384)	2,489,987	(51,153,279)
Total assets being depreciated, net	79,195,525	(2,458,142)	(217,835)	76,519,548
Net capital assets	\$ 83,894,294	\$ 6,257,016	\$ (253,535)	\$ 89,897,775

Depreciation expense as of June 30, 2019 was \$4,667,384. The College recognized a gain on sale of assets in the amount of \$30,714.

**New Mexico Junior College
Notes to Financial Statements
June 30, 2019**

NOTE 5: ACCRUED EXPENSES

The College's accrued expenses at June 30, 2019 are as follows:

Payroll	\$ 489,897
Payroll taxes and related liabilities	563,829
<hr/>	
Total accrued expenses	\$ 1,053,726
<hr/>	

NOTE 6: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

General Information about the Pension Plan

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

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

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

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined in Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

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:

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

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.

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements: the member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55; the member's minimum age and earned service credit add up to the sum of 80 or more, those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits; the member's age is 67, and has earned 5 or more years of service credit.

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%.

New Mexico Junior College
Notes to Financial Statements
June 30, 2019

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

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

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions. The contribution requirements of plan members and the College are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2019 employers contributed 13.90% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. For fiscal year ended June 30, 2017 employers contributed 13.90%, and employees earning 20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 continued contributing at an amount of 10.70% of their gross annual salary. Contributions to the pension plan from the College was \$1,571,101 for the year ended June 30, 2019.

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, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017. At June 30, 2019, the College reported a liability of \$48,092,108 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, 2018. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2018, the College's proportion was 0.40443 percent, which was an increase of 0.00759 from its proportion measured as of June 30, 2017.

New Mexico Junior College
Notes to Financial Statements
June 30, 2019

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

For the year ended June 30, 2019, the College recognized pension expense of \$8,148,774. At June 30, 2019, 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	\$ 35,099	\$ 480,889
Actuarial Experience	-	434,381
Investment Experience	106,464	-
Changes in assumptions	9,911,555	-
Changes in proportion	82,529	576,108
Contributions subsequent to the measurement date	1,533,202	-
Total	\$ 11,668,849	\$ 1,491,378

\$1,533,202 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date of June 30, 2018, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

<u>Year ended June 30,</u>	
2019	\$ (5,436,000)
2020	(3,368,870)
2021	162,001
2022	(1,400)
	<u>\$ (8,644,269)</u>

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

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, 2017. The total pension liability was rolled forward from the valuation date to the Plan's year ending June 30, 2018 using generally accepted actuarial principles. 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 April 21, 2017. Specifically, the liabilities measured as of June 30, 2016 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, 2016 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, 2019

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market
Inflation	2.5%
Salary Increase	Composed of 2.50% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.25%
Retirement Age	Experience based table rates based on age and service, adopted by the Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.
Mortality	<p>Healthy males: RP-2000 Combined Mortality Table with White Collar adjustments, 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 one 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.

New Mexico Junior College
Notes to Financial Statements
June 30, 2019

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

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 on August 26, 2016.

Asset Class	Target Allocation	
	After 8/26/2016	Prior to 8/26/2016
Equities		
<i>Domestic Equities</i>		
Large cap equities	17%	16%
Small- mid cap equities	3%	3%
<i>International Equities</i>		
Developed	5%	5%
Emerging markets	9%	9%
Total equities	34%	33%
Fixed Income		
Opportunistic credit	18%	18%
Core fixed income	7%	6%
Emerging markets debt	2%	2%
Total fixed income	27%	26%
Alternatives		
Real estate - REITS	2%	7%
Real assets	7%	8%
Private equity	13%	13%
Global asset allocation	5%	4%
Risk parity	5%	3%
Other	6%	5%
Total alternatives	38%	40%
Cash	1%	1%
Total	100%	100%

For the years ended June 30, 2018 and 2017, the annual money-weighted rates of return on pension plan investments were 7.2% and 11.8%, respectively, for each asset class above.

**New Mexico Junior College
Notes to Financial Statements
June 30, 2019**

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

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

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 2018. 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 (4.69%) or one percentage point higher (6.69%) than the single discount rate.

	1.00% Decrease (4.69%)	Current Discount Rate (5.69%)	1.00% Increase (6.69%)
Proportionate share of the net pension liability	\$ 62,501,324	\$ 48,092,108	\$ 36,335,091

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, 2018 and June 30, 2018 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 (OPEB) – RETIREE HEALTH CARE FUND

General Information about the Other Post-Employment Benefits Plan

Plan description. Substantially all of the College’s full-time employees are provided with other post-employment benefits (OPEB) through the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was created by the state’s Retiree Health Care Act, Section 10-7C-1 through 10-7C-16, NMSA 1978, as amended, to administer the New Mexico Retiree Health Care Fund (Plan). The Plan is a cost-sharing, multiple employer defined benefit healthcare plan established to provide comprehensive core group health insurance for persons who have retired from certain public service in New Mexico.

New Mexico Junior College
Notes to Financial Statements
June 30, 2019

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

The purpose is to provide 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 consisting of a plan or optional plans of benefits that can be purchased by funds flowing into the retiree health care fund and by co-payments or out-of-pocket payments of eligible retirees.

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

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

Benefits provided. The Act authorizes the NMRHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical, plus basic life plan, plus an additional participation fee of five dollars (\$5) if the eligible participant retired prior to the employer's effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the NMRHCA or viewed on their website at www.nmrhca.state.nm.us.

**New Mexico Junior College
Notes to Financial Statements
June 30, 2019**

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

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

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

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

The Act is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee’s annual salary; and each participating employee was required to contribute 1.25% of their salary.

For employees that were not members of an enhanced plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2% of each participating employee’s annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to 10-7C- 5(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Act.

The College’s contributions to the plan for the year ended June 30, 2019 were \$258,718, which equals the required contributions for the year.

**New Mexico Junior College
Notes to Financial Statements
June 30, 2019**

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

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

At June 30, 2019, the College reported a liability of \$13,172,904 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The College's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the College's proportion was 0.30294% percent.

For the year ended June 30, 2019, the recognized OPEB benefit of \$138,129. At June 30, 2019 the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 944,313
Changes in proportion	-	555,452
Changes in assumptions	-	2,459,323
Contributions subsequent to the measurement date	247,388	-
Total	\$ 247,388	\$ 3,959,088

Deferred outflows of resources totaling \$247,388 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	\$ (982,472)
2020	(982,472)
2021	(982,472)
2022	(785,518)
2023	(226,154)
Total	\$ (3,959,088)

**New Mexico Junior College
Notes to Financial Statements
June 30, 2019**

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

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined by an actuarial valuation as of June 30, 2017. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2016 and the ERB actuarial experience study as of June 30, 2016. The following actuarial assumptions were applied to the actuary's measurement:

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
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

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.

New Mexico Junior College
Notes to Financial Statements
June 30, 2019

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

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

Asset Class	Target Allocation	Long-Term Rate of Return
U.S. core fixed income	20%	2.1%
U.S. equity - large cap	20%	7.1%
Non U.S. - emerging markets	15%	10.2%
Non U.S. - developed equities	12%	7.8%
Private equity	10%	11.8%
Credit and structured finance	10%	5.3%
Real estate	5%	4.9%
Absolute return	5%	4.1%
U.S. equity - small/mid cap	3%	7.1%

Discount Rate. The discount rate used to measure the total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 4.08% is the blended discount rate.

Basis for Allocation. The employers' proportionate share, reported in the Schedule of Employer Allocations, is calculated using employer contributions for employers that were members of the Authority as of June 30, 2018.

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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
\$ 15,942,318	\$ 13,172,904	\$ 10,989,992

**New Mexico Junior College
Notes to Financial Statements
June 30, 2019**

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

The following table 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
\$ 11,135,724	\$ 13,172,904	\$ 14,770,103

OPEB plan fiduciary net position. Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of OPEB Amounts by Employer, including the disclosure of the net OPEB liability and the unmodified audit opinion on the financial statements, is located in the New Mexico Retiree Health Care Authority financial statements for the fiscal year ended June 30, 2018. Additional financial information is available at www.nmrhca.state.nm.us or by contacting New Mexico Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Payable Changes in the Net OPEB Liability. At June 30, 2019, the College reported it has no payable for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

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

NOTE 12: NEW MEXICO JUNIOR COLLEGE FOUNDATION (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.

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

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

Donor Restricted endowment disbursements of the net appreciation of investments are permitted in accordance with the Uniform Prudent Management of Institutional Funds Act [46-9A-1 to 46-9A-12 NMSA], except where a donor has specified otherwise. The investment committee of the Foundation and College management review the investment earnings designed to support distributions from the Endowment and to protect the purchasing power of the endowment principal. Distributions from the Endowment are made available to the College, which benefits from each individual endowment.

The annual spending distribution is computed at the end of the year as a percentage of net interest and dividend earnings, investment fees and net capital change for the year. The Investment Committee of the Foundation and College management sets the annual distribution, which endowment donors must approve.

Tax Status

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

The Internal Revenue Service has not examined any of the Form 990 tax returns. However, the Foundation's tax returns for 2018, 2017 and 2016 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, 2019, the Foundation's uninsured and uncollateralized cash deposits total was \$15,780.

New Mexico Junior College
Notes to Financial Statements
June 30, 2019

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

As of June 30, 2019, there were no balances in excess of insurance coverage.

	Merrill Lynch*	Wells Fargo Bank	Total
Total amount of deposits	\$ 1,068,482	\$ 265,780	\$ 1,334,262
Deposit accounts covered by the FDIC coverage	(1,068,482)	(250,000)	(1,318,482)
Total uninsured public funds	-	15,780	15,780
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	\$ -	\$ 15,780	\$ 15,780
Collateral requirement (50% of uninsured public funds)	\$ -	\$ 7,890	\$ 7,890
Pledged security	-	-	-
Over collateralization	\$ -	\$ (7,890)	\$ (7,890)

*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, 2019

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	\$	1,334,262
Equities		4,514,118
Mutual funds		3,690,707
Royalty interest		19,583
<hr/>		
Total deposits and investments		9,558,670
Petty cash		30
Less: reconciling items		(15,478)
<hr/>		
Total cash and cash equivalents and investments	\$	9,543,222
<hr/>		
Statement of Net Position:		
Cash and cash equivalents	\$	480,125
Short-term investments		9,063,097
<hr/>		
Net deposits and investments	\$	9,543,222
<hr/>		

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. CDs have been included as an investment in the amount of \$838,689.

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, 2019**

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, 2019:

Investment	Market Value	Percent of Foundation's Investment
Equities	\$ 4,514,118	54.9%
Mutual funds	3,690,707	44.9%
Royalty Interest	19,583	0.2%
Total Foundation investments	\$ 8,224,408	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, 2019, 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, 2019, 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, 2019

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

The Foundation maintained a balance of \$8,224,408 in investments at June 30, 2019, 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, 2019:

	Total	Level 1	Level 2	Level 3
Equities	\$ 4,514,118	\$ 4,514,118	\$ -	\$ -
Mutual funds	3,690,707	3,690,707	-	-
Royalty interest	19,583	-	19,583	-
	<u>\$ 8,224,408</u>	<u>\$ 8,204,825</u>	<u>\$ 19,583</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, 2019 consists of the following:

Accrued interest	\$ 7,267
Other receivables	4,594
<u>Accounts receivable, net</u>	<u>\$ 11,861</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. All minerals are booked at cost, donated or appraised value. Depreciation is computed using the straight-line method over the estimated useful life of the equipment of 5 years.

On April 8, 2015, the Foundation received a donation of radio station equipment. The total net value of donated radio station equipment is \$11,730. Depreciation expense for the year ended June 30, 2019 for this equipment was \$11,730.

On July 25, 2018, the Foundation received a donation of oil and gas royalties in properties located in Lea County, New Mexico. This minerals have an expected life of 39.5 years and was valued at \$287,502. Depletion for the year ended June 30, 2019 was \$12,356 and the minerals had a net book value at June 30, 2019 of \$275,147.

New Mexico Junior College
Notes to Financial Statements
June 30, 2019

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

The following table summarizes the changes in the Foundation's capital assets during the fiscal year ended June 30, 2019.

	June 30, 2018	Additions	Deletions	June 30, 2019
Assets being depreciated:				
Radio station equipment	\$ 58,649	\$ -	\$ 1	\$ 58,650
Minerals	-	287,502	-	287,502
Total	58,649	287,502	1	346,152
Less accumulated depreciation:				
Radio station equipment	(35,190)	(11,730)	-	(46,920)
Minerals	-	(12,356)	-	(12,356)
Total assets being depreciated, net	\$ 23,459	\$ 263,416	\$ 1	\$ 286,876

Intangible Asset

On April 8, 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 2019 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, 2019:

Scholarships	\$ 240,598
Program assistance	62,007
Other	61,924
Salaries	122,911
Work-study	19,953
Fundraising expenses	19,847
Awards	4,000
Total institutional support	\$ 531,240

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 a private foundation.

The Internal Revenue Service has not examined any of the Form 990 tax returns. However, the New Horizon's tax returns for 2018, 2017 and 2016 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, 2019

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, 2019, the New Horizons' uninsured cash deposits total was \$0.

As of June 30, 2019, there were no balances in excess of insurance coverage.

	Wells Fargo Bank
Total amount of deposits	\$ 143,906
Deposit accounts covered by the FDIC coverage	(143,906)
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, 2019 consists of reimbursements to New Horizons and is fully collectible.

Prepays

New Horizons pays a consulting firm fixed amounts per month to use as needed each month and \$20,000 was paid in advance for some time in 2020. Another \$10,939 was prepaid for insurance on the hydro tool. Combined these two prepaids amounted to \$30,939 as of June 30, 2019.

New Mexico Junior College
Notes to Financial Statements
June 30, 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). For the year ended June 30, 2019, Wellnu’s hydro tool generated revenue of \$5,100.

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 and is currently being utilized commercially by the company in the Permian Basin. As of June 30, 2019, the patent filings was valued at \$28,865. 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 transferred \$450,001 while County makes a \$100,000 contributions quarterly for a total of \$400,000.

New Mexico Junior College
Notes to Financial Statements
June 30, 2019

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

Accounts Payable and Institutional Support

New Horizons provided the following institutional support during the year ended June 30, 2019:

Consulting Expense	\$	368,799
Salaries and Wages		161,278
Payroll Benefits		48,378
Lease Expense		47,960
Other		43,617
Travel		39,128
Insurance		13,921
Advertising		1,696
Supplies		1,544
		726,321
Total institutional support	\$	726,321

Commitments

New Horizons entered into a five year lease with a company that commenced on June 15, 2016 in order to use a VRCC Generation III Cold Spray System. New Horizons has monthly payments of \$3,417 plus taxes and has future minimum lease payments as follows as of June 30, 2019:

2020	\$	43,798	
2021		21,899	
		65,697	
		65,697	

New Mexico Junior College
Notes to Financial Statements
June 30, 2019

NOTE 14: COMMITMENTS

The College has commitments as of June 30, 2019 for the following:

Vendor	Project Description	Amount
Abba Technologies	Ongoing Professional Services Support	\$ 2,834
Advanced Animations, LLC	Western Heritage Museum Grossology Exhibit	32,500
Arrow Automatic Fire Protection	Quarterly Smoke Detector Inspection	3,920
BG Buildingworks, Inc.	Commissioning Authority Services for the NMJC Allied Health Building	4,857
Bridgers and Paxton	NMJC Caster Activity Center Plumbing System Upgrade Assessment, Design	9,449
Bridgers and Paxton	Campus Wide Fire Alarm Upgrade Design	20,411
Bridgers and Paxton	Campus Wide Facility Management System Upgrade	90,777
Cooperative Educational Svc	Dekker Perich Sabatini - NMJC Allied Health Building Design	48,696
Cooperative Educational Svc	Dekker Perich Sabatini - NMJC McLean Hall Cosmetology Design	35,733
Cooperative Educational Svc	NMJC Allied Health Building Drainage	12,298
Cooperative Educational Svc	Pettigrew & Associates - Allied Health Building Engineering Services	61,971
Cooperative Educational Svc	Dekker Perich Sabatini - Facilities Assessment to Create NMJC Master Plan	59,608
Cooperative Educational Svc	Dekker Perich Sabatini - NMJC Caster Activity Center Renovation Design	305,057
Cooperative Educational Svc	Field Turf	144,176
Cooperative Educational Svc	Donner Plumbing - Provide and Install Water Softener System in Zia Dorm	38,572
Cooperative Educational Svc	Donner Plumbing - Provide and Install Water Softener System in T-Bird Dorm	39,943
Cooperative Educational Svc	Donner Plumbing - Provide and Install Water Softener System in Student Apartments	42,554
Dekker/Perich/Sabatini	Campus Signage Plan Update	11,435
Folwell Studios, LLC	CORE Art in Public Places	200,000
Great Openings	Nursing Equipment for the NMJC Allied Health Building	22,414
Great Openings	Nursing Equipment for the NMJC Allied Health Building	23,063
Green Light Booking LLC	Western Heritage Museum Native American Dancers for Staked Plains Roundup	1,350

(Continued on next page)

New Mexico Junior College
Notes to Financial Statements
June 30, 2019

NOTE 14: COMMITMENTS (Continued)

Vendor	Project Description	Amount
<i>(Continued)</i>		
H B Construction of Alb Inc.	Construction of the NMJC Allied Health Building	\$ 118,652
Jackson Lewis P.C.	Professional Legal Services	9,487
New Mexico Mutual	NMJC Workers Compensation Annual Policy	7,562
Oregon Museum of Science & Industry	Western Heritage Museum Zoo In You Exhibit	15,750
Pettigrew and Associates PA	Geotechnical, Surveying and Engineering for NMJC Law Academy Building	2,117
Pocket Nurse	Nursing Equipment for the NMJC Allied Health Building	38,541
Sound and Signal Systems of Texas	NMJC Camera System Evaluation	855
Trivium Interactive, LLC	Design and Develop an Interactive Program for the Lea County Cowboy Hall of Fame	25,676
University of Florida	Western Heritage Museum Magalodon Exhibit	50,000
University of Idaho	Western Heritage Museum Facing the Inferno Exhibit	2,400
		\$ 1,482,658

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, 2019 as follows:

Accrued vacation – beginning of year	\$ 231,449
Additions	402,829
Deletions	(367,035)
Accrued vacation – end of year	\$ 267,243

The College estimates that the entire amount of \$267,243 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: SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2019, 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, 2019 which is the date on which the financial statements were available to be issued. There were no events noted as of this date.

NOTE 18: SUBSEQUENT PRONOUNCEMENTS

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 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.

New Mexico Junior College
Notes to Financial Statements
June 30, 2019

NOTE 18: SUBSEQUENT PRONOUNCEMENTS (Continued)

In May 2019, GASB Statement No. 91, *Conduit Debt Obligations*, was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

NOTE 19: 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 20: LEGISLATIVE GRANTS

The College had the following legislative grants funded by Severance Tax Bonds (STB) and General Obligation Bonds (GOB) as of June 30, 2019:

Project	Agency	Grant #	Effective Date	Reversion Date
NMJC Campus Wide Infrastructure	Higher Education Department	GOB C5085	8/1/2019	6/30/2023
NMJC McLean Hall Renovations	Higher Education Department	GOB C5086	8/1/2019	6/30/2023
NMJC Library Acquisitions	Higher Education Department	GOB C5076	8/1/2019	6/30/2023
NMJC Fire Alarms and Security Cameras	Higher Education Department	GF D3426	5/1/2019	6/30/2023
NMJC Fire Alarms and Life Safety System, Fire Sprinkler System	Higher Education Department	GF D3427	7/15/2019	6/30/2023

Project	Expenditures			
	Net Amount	to Date	Reverted	Remaining
NMJC Campus Wide Infrastructure	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
NMJC McLean Hall Renovations	2,250,000	-	-	2,250,000
NMJC Library Acquisitions	36,718	-	-	36,718
NMJC Fire Alarms and Security Cameras	400,000	-	-	400,000
NMJC Fire Alarms and Life Safety System, Fire Sprinkler System	400,000	-	-	400,000
	\$ 5,586,718	\$ -	\$ -	\$ 5,586,718

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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*

	2019	2018
	Measurement	Measurement
	Date (As of and	Date (As of and
	for the Year	for the Year
	Ended	Ended
	June 30, 2018)	June 30, 2017)
Proportion of the net pension liability (asset)	0.40443%	0.41202%
Proportionate share of the net pension liability (asset)	\$ 48,092,108	\$ 45,789,710
Covered employee payroll	12,992,158	13,745,513
Proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	370.16%	333.12%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	52.95%

* 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.

2017	2016	2015
Measurement	Measurement	Measurement
Date (As of and	Date (As of and	Date (As of and
for the Year	for the Year	for the Year
Ended	Ended	Ended
June 30, 2016)	June 30, 2015)	June 30, 2014)
0.41659%	0.41028%	0.39594%
\$ 29,979,623	\$ 26,574,937	\$ 22,591,262
13,754,379	13,510,416	12,546,461
217.96%	196.70%	180.06%
61.58%	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, 2019	As of and for the Year Ended June 30, 2018
Contractually required contribution	\$ 1,571,101	\$ 1,566,113
Contributions in relation to the contractually required contribution	1,571,101	1,566,113
Contribution deficiency (excess)	-	-
Covered employee payroll	12,560,775	12,992,158
Contributions as a percentage of covered employee payroll	12.51%	12.05%

* 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, 2017	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
\$ 1,651,563	\$ 1,654,037	\$ 1,567,745
<hr/>	<hr/>	<hr/>
1,651,563	1,654,037	1,567,745
-	-	-
<hr/>	<hr/>	<hr/>
13,745,513	13,754,379	13,510,416
12.02%	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***

	2019 Measurement Date (As of and for the Year Ended June 30, 2018)	2018 Measurement Date (As of and for the Year Ended June 30, 2017)
New Mexico Junior College's proportion of the net OPEB liability	0.30294%	0.31504%
New Mexico Junior College's proportionate share of the net OPEB liability	\$ 13,172,904	\$ 14,276,583
New Mexico Junior College's covered-employee payroll	\$ 12,992,158	\$ 13,745,513
New Mexico Junior College's proportionate share of the net OPEB liability as a percentage of its covered-employee	101.39%	103.86%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

* The amounts presented were determined as of June 30th. 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 auditors' 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, 2019	As of and for the Year Ended June 30, 2018
Contractually required contributions	\$ 258,718	\$ 255,779
Contributions in relation to the contractually required contribution	(258,718)	(255,779)
Contribution deficiency (excess)	\$ -	\$ -
New Mexico Junior College's covered-employee payroll	\$ 12,560,775	\$ 12,992,158
Contributions as a percentage of covered-employee payroll	2.00%	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 auditors' report.
See notes to required supplementary information.*

New Mexico Junior College
Notes to Required Supplementary Information
June 30, 2019

ERB Notes

Changes of benefit terms.

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

Changes of assumptions.

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

OPEB Notes

Changes of benefit terms. The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHC FY18 audit available at

http://nmrhca.org/uploads/FileLinks/4310380076d642ecb015117ae3cdbae8/NMRHCA_2018_OPEB_Allocation_Audit.pdf

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2018 report is available at

http://www.nmrhca.org/uploads/FileLinks/4310380076d642ecb015117ae3cdbae8/5559596_NMRHC_A_GASB74_Report_as_of_June_30_2018.pdf. See the notes to the financial statements beginning on page 24 which summarizes actuarial assumptions and methods effective with the June 30, 2018 valuation.

See independent auditors' report.

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, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP	Favorable
			Basis)	(Unfavorable)
				Final to Actual
Beginning fund balance	\$ 19,326,194	\$ 29,138,167	\$ 29,178,531	\$ 40,364
Unrestricted and restricted revenues:				
State general fund appropriations	6,270,500	7,014,175	6,852,327	(161,848)
State grants and contracts	245,157	230,222	448,942	218,720
Federal revenue sources	4,693,594	4,308,168	4,417,437	109,269
Tuition and fees	3,887,000	3,717,544	3,960,487	242,943
Local funding	15,765,000	26,152,322	34,506,253	8,353,931
Auxiliary enterprises	2,615,000	2,681,906	2,768,612	86,706
Internal service	12,500	8,000	11,498	3,498
Research	400,000	-	-	-
Public Service	164,965	166,338	165,257	(1,081)
Other	398,765	222,600	1,359,638	1,137,038
Private grants	-	-	34,453	34,453
Total unrestricted and restricted revenues	34,452,481	44,501,275	54,524,904	10,023,629
Unrestricted and restricted expenditures:				
Instruction	10,543,218	11,199,318	9,951,190	1,248,128
Academic support	2,680,932	2,781,663	2,251,418	530,245
Student services	2,402,682	2,417,024	2,271,445	145,579
Institutional support	4,329,145	4,406,318	4,066,991	339,327
Operation and maintenance of plant	3,731,780	3,851,780	3,591,815	259,965
Research	-	907,233	-	907,233
Public Service	214,965	216,338	206,036	10,302
Auxiliary services	2,125,946	2,590,768	2,767,127	(176,359)
Intercollegiate athletics	1,613,798	1,993,976	1,848,935	145,041
Internal service	119,306	151,334	206,864	(55,530)
Renewal and replacement	11,323,392	15,636,687	12,858,491	2,778,196
Student aid, grants and stipends	4,874,099	4,529,027	4,626,661	(97,634)
Private grants	-	-	34,453	(34,453)
Total unrestricted and restricted expenditures	43,959,263	50,681,466	44,681,426	6,000,040
Net transfers	-	-	(710,900)	710,900
Change in fund balance (budgetary basis)	(9,506,782)	(6,180,191)	9,132,578	16,734,569
Ending fund balance	\$ 9,819,412	\$ 22,957,976	\$ 38,311,109	\$ 16,774,933

Change in net position per statement of revenues, expenses and

changes in net position	\$ 9,134,804
Capital outlay expenditures capitalized	(10,924,404)
Gain from sale of capital assets	30,714
Net pension change	6,609,597
Net OPEB change	(385,517)
Depreciation expense	4,667,384
Financial statements change in net position reconciled	\$ 9,132,578

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, 2019

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Beginning fund balance	\$ 1,687,689	\$ 3,427,156	\$ 3,427,156	\$ -
Unrestricted revenues:				
Tuition and fees	3,887,000	3,717,544	3,960,487	242,943
State government appropriations	5,805,900	5,805,900	5,801,502	(4,398)
Local government appropriations	15,765,000	26,152,322	34,506,253	8,353,931
Federal grants and contracts	33,711	33,800	33,700	(100)
Other	398,765	222,600	895,715	673,115
Total unrestricted revenues	25,890,376	35,932,166	45,197,657	9,265,491
Unrestricted expenditures:				
Instruction	10,219,294	11,045,223	9,385,460	1,659,763
Academic support	2,656,318	2,757,049	2,251,418	505,631
Student services	2,046,450	2,095,643	1,969,018	126,625
Institutional support	4,317,093	4,394,266	4,066,991	327,275
Operation and maintenance of plant	3,731,780	3,851,780	3,591,815	259,965
Total unrestricted expenditures	22,970,935	24,143,961	21,264,702	2,879,259
Net transfers	(3,392,704)	(12,089,159)	(25,079,561)	(12,990,402)
Change in fund balance (budgetary basis)	(473,263)	(300,954)	(1,146,606)	(845,652)
Ending fund balance	\$ 1,214,426	\$ 3,126,202	\$ 2,280,550	\$ (845,652)

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, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Beginning fund balance	\$ -	\$ -	\$ -	\$ -
Restricted revenues:				
Federal government contracts/grants	471,664	436,813	704,104	267,291
State government contracts/grants	245,157	230,222	164,053	(66,169)
Total restricted revenues	716,821	667,035	868,157	201,122
Restricted expenditures:				
Instruction	323,924	154,095	565,730	(411,635)
Academic support	24,614	24,614	-	24,614
Student services	356,232	321,381	302,427	18,954
Institutional support	12,052	12,052	-	12,052
Total restricted expenditures	716,822	512,142	868,157	(356,015)
Net transfers	-	-	-	-
Change in fund balance (budgetary basis)	(1)	154,893	-	(154,893)
Ending fund balance	\$ (1)	\$ 154,893	\$ -	\$ (154,893)

See independent auditors' report.

Supporting Schedules

New Mexico Junior College
Schedule of Deposit and Investment Accounts
June 30, 2019

Account Name	Type	Lea County State Bank	New MexiGROW LGIP	Wells Fargo Bank
NMJC	Checking	\$ -	\$ -	\$ -
Instructional and general	Checking	-	-	4,841,678
NMJC money market	Deposit	32,743	-	-
Pell federal account	Checking	586,577	-	-
Payroll dep account	Checking	359,550	-	-
NMJC	CD	3,052,654	-	-
Agency account	Time Deposit	-	-	349,232
NMJC	Short-Term Investment	-	24,593,127	-
New Horizons Foundation	Checking	-	-	-
New Horizons Foundation	Checking - Wellnu	-	-	-
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		4,031,524	24,593,127	5,190,910
Outstanding items		(22,604)	-	(290,637)
		\$ 4,008,920	\$ 24,593,127	\$ 4,900,273

Petty cash

Reconciliation to the financial statements:

Cash and cash equivalents

Short-term investment

Statement of fiduciary assets and liabilities:

Cash and 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
\$ 25,035	\$ 25,035	\$ -	\$ -	\$ -	\$ -	\$ -
-	4,841,678	-	-	-	-	-
-	32,743	-	-	-	-	-
-	586,577	-	-	-	-	-
-	359,550	-	-	-	-	-
-	3,052,654	-	-	-	-	-
-	349,232	-	-	-	-	-
-	24,593,127	-	-	-	-	-
-	-	-	-	-	142,603	142,603
-	-	-	-	-	1,303	1,303
-	-	4,514,118	-	4,514,118	-	-
-	-	3,690,707	-	3,690,707	-	-
-	-	19,583	-	19,583	-	-
-	-	8,956	-	8,956	-	-
-	-	117,377	-	117,377	-	-
-	-	31,697	-	31,697	-	-
-	-	54,575	-	54,575	-	-
-	-	17,188	-	17,188	-	-
-	-	838,689	-	838,689	-	-
-	-	-	215,136	215,136	-	-
-	-	-	50,644	50,644	-	-
25,035	33,840,596	9,292,890	265,780	9,558,670	143,906	143,906
-	(313,241)	689	(16,167)	(15,478)	196,974	196,974
<u>\$ 25,035</u>	<u>33,527,355</u>	<u>\$ 9,293,579</u>	<u>\$ 249,613</u>	<u>9,543,192</u>	<u>\$ 340,880</u>	<u>340,880</u>
	6,450			30		-
	\$ 33,533,805			\$ 9,543,222		\$ 340,880
	\$ 5,547,037			\$ 480,125		\$ 340,880
	27,645,781			9,063,097		-
	33,192,818			9,543,222		340,880
	340,987			-		-
	\$ 33,533,805			\$ 9,543,222		\$ 340,880

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New Mexico Junior College
Schedule of Collateral Pledged by Depository
June 30, 2019

Depository	Description of Pledged Collateral	Fair Market Value June 30, 2019	Name and Location of Safekeeper
Lea County State Bank			
	Univ NM Valencia County 4%, due 8/1/2020	\$ 442,418	The Independent Bankers Bank Farmers Branch, TX
	Los Lunas NM SD 3%, due 07/15/2021	413,216	The Independent Bankers Bank Farmers Branch, TX
	Lea County, NM 2%, due 10/1/2019	425,952	The Independent Bankers Bank Farmers Branch, TX
Total Lea County State Bank		1,281,586	
Wells Fargo Bank			
	FNMA FNMS 3.0% CUSIP #3138NYVR3, due 1/1/2043	2,099,176	Bank of New York Mellon New York, NY
	FNMA FGPC 3.5% CUSIP #3128MJQ94, due 3/1/2042	845,847	Bank of New York Mellon New York, NY
Total Wells Fargo Bank		2,945,023	
		\$ 4,226,609	

See independent auditors' report.

New Mexico Junior College
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2019

	June 30, 2018	Receipts	Disbursements	June 30, 2019
ASSET Student Recognition	\$ 11,880	\$ 10,205	\$ 205	\$ 21,880
Athletic Department	60	785	785	60
Athletic Training	489	150	-	639
Backpacking & Camping	271	-	-	271
Baseball Booster Club	10,538	18,452	29,346	(356)
Burke Poetry Contest	444	-	-	444
Campus Ambassadors	1,505	-	-	1,505
Cheerleaders	467	-	-	467
Cosmetology Students	3,364	28,545	20,929	10,980
Drama Club	7,249	970	1,876	6,343
Emergency Services	1,762	-	1,762	-
Equine Activities	7,706	-	-	7,706
Faculty Senate	770	100	-	870
Fallen Officers Memorial Fund	187	-	187	-
FCA Special Events	108	-	-	108
Fellowship of Christian Athletes	1,586	-	-	1,586
Ford ASSET Helping Hand	400	-	-	400
Geology Club	605	-	-	605
GM ASEP Student Recognition	1,135	1,610	-	2,745
Golf Booster Club	23,928	27,297	31,922	19,303
Healthy Active Lifestyle Challenge	94	-	-	94
Law Enforcement Guest Speakers	311	2,148	596	1,863
Men's Basketball	6,334	1,839	1,721	6,452
Moran Lecture Series	5,405	5,086	5,550	4,941
MU Alpha Theta	2,816	1,251	1,118	2,949
Nature Trail Sculptures	6,385	-	-	6,385
NMJC Band Club	4,431	-	-	4,431
NMJC Research Foundation	7,928	-	-	7,928
NMJC Sensations	4,623	-	-	4,623
NMJC Skills USA-High School	3,357	23,364	19,732	6,989
NMJC Social Committee	11,825	3,820	8,293	7,352
Phi Beta Lambda-NMJC	239	-	-	239
Phi Theta Kappa	288	3,145	2,406	1,027
Prepaid Tuition Agreement	24,278	4,535	6,515	22,298
Rodeo Club	25,843	4,326	3,456	26,713
Rope Climbing and Rappelling Club	382	-	-	382
SBDC Program Services	34,483	4,938	2,215	37,206
Subtotal	213,476	142,566	138,614	217,428

See independent auditors' report.

	June 30, 2018	Receipts	Disbursements	June 30, 2019
Subtotal	\$ 213,476	\$ 142,566	\$ 138,614	\$ 217,428
Student Nurses Association	3	-	-	3
Student Senate	296	-	-	296
Student Support Services-SSS	104	-	-	104
Suicide Awareness Prevention Event	207	-	-	207
Support and Maintenance Council	3,587	-	1,403	2,184
Talent Search	10	-	-	10
Thunderbird Booster Club	75	1,590	1,273	392
Western Heritage Donations	40,421	21,757	18,231	43,947
Western Heritage Horticultural	4,895	161	495	4,561
Western Heritage Museum Membership	40,825	17,965	6,523	52,267
Western Heritage Museum Memorial	2,496	1,165	3,655	6
WHM Centennial	5,987	20	23	5,984
WHM Discretionary Fund	929	1,646	1,455	1,120
WHM Mammoth Fund Raiser	608	-	-	608
WHM Special Events	682	26,622	26,970	334
Women's Basketball	11,419	2,198	4,781	8,836
Women's Cross Country	1,076	2,155	530	2,701
Total agency fund cash	327,095	217,845	203,953	340,987
Accounts receivable	-	3,000	-	3,000
Total assets	\$ 327,095	\$ 220,845	\$ 203,953	\$ 343,987
Accounts payable	\$ 3,681	\$ 2,382	\$ (3,680)	\$ 2,383
Due to student organizations	323,414	218,463	207,633	341,604
Total liabilities	\$ 327,095	\$ 220,845	\$ 203,953	\$ 343,987

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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

Brian S. Colón, Esq.
New Mexico State Auditor
The Office of Management and Budget and
New Mexico Junior College Board
New Mexico Junior College
Hobbs, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component units, and the fiduciary fund of the New Mexico Junior College (the "College") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting

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

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

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.

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*.

We noted an other matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as item CU NM 2019-001.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
October 31, 2019

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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

Brian S. Colón, Esq.
New Mexico State Auditor
The Office of Management and Budget
New Mexico Junior College Board
New Mexico Junior College
Hobbs, New Mexico

Report on Compliance for the Major Federal Program

We have audited the 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, 2019. 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, 2019.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on 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 a 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.

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, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
October 31, 2019

New Mexico Junior College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

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 \$ 2,961,564	\$ -	\$ -
Federal Supplemental Educational Opportunity Grants	(1)	42325	84.007 40,476	-	-
Federal Work Study Program	(1)	42511	84.033 43,347	-	-
Total student financial assistance cluster			3,045,387		
TRIO Cluster:					
TRIO-Student Support Services	41131	84.042A	297,447	-	-
Total TRIO cluster			297,447		
US Nuclear Regulatory Commission					
Scholarship and Fellowship Program	41142	77.008	4,980	-	-
US Department of Agriculture and Rural Development					
Distance Learning & Telemedicine	41115	10.855	310,018	-	-
Passed through New Mexico					
Public Education Department:					
Adult Education - Basic Grants 1 to States	41310	84.002	91,658	-	-
Total US Department of Education			3,749,490	-	-
US Small Business Administration					
Passed through New Mexico					
Public Education Department:					
Small Business Development Center	41220	59.037	12,197	-	-
Total Expenditures of Federal Awards			\$ 3,761,687	\$ -	\$ -

* Tested as major program

() Denotes cluster

Federal Direct loans advanced to students in fiscal year 2019 in the amount of \$630,517 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 2019 totaled \$630,517.

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	\$	3,761,687
Total expenses funded by other sources		40,294,362
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Total expenses per statement of revenues, expenses, and changes in net position	\$	44,056,049
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See independent auditors' report.

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New Mexico Junior College
Schedule of Findings and Questioned Costs
June 30, 2019

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

Federal Awards:

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

CFDA Numbers

Federal Program

84.063
84.007
84.033
84.268

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

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

SECTION II – PRIOR YEAR AUDIT FINDINGS

CU FS 2018-001 – Journal entries are not reviewed - Significant Deficiency (Resolved)
FA 2018-001 – Student Aid Verification - Significant Deficiency (Resolved)

New Mexico Junior College
Schedule of Findings and Questioned Costs
June 30, 2019

SECTION III – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

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

CU NM 2019-001 – Under Collateralization of Deposits Held with Financial Institutions (Other noncompliance)

Condition: The New Mexico Junior College Foundation had less pledged collateral coverage than was needed for compliance with New Mexico state statute for a deposit held by Wells Fargo Bank at June 30, 2019. The required collateral was \$7,890. No collateral was provided resulting in a shortfall of \$7,890. The shortfall was temporary as it was remedied shortly after June 30, 2019.

Criteria: Pursuant to Section 6-10-17 NMSA 1978, the pledged collateral for deposits in banks and savings and loan associations shall have an aggregate value equal to one-half of the amount of public money held by the depository.

Effect: Not having proper collateral could lead to the loss of Foundation funds in the event of a bank failure.

Cause: The Foundation continuously monitors collateral for the amounts on deposit with all banks. However, the bank did not allocate enough collateral for the funds as of June 30, 2019. This was a result of the Foundation and bank expecting more checks to clear in June 2019 than actually did, so there was not enough time to obtain additional collateral for the higher cash bank balance before the cutoff date of June 30, 2019.

Auditors' Recommendation: The Foundation should continue to work with Wells Fargo Bank to monitor and ensure sufficient pledged collateral at all times. Additionally, the Foundation should consider maintaining a higher dollar amount of collateral coverage to help prevent shortfalls as a result of unexpected cashflow changes each month.

Agency's Response: On July 1, 2019 a check was written for \$150,000 to transfer funds from Wells Fargo Bank to the Foundation's Merrill Lynch checking account. The check was mailed to the Merrill Lynch office in Albuquerque and the check cleared the Wells Fargo Bank on July 8, 2019 bringing the Wells Fargo Bank total balances to under \$151,500. The Foundation's controller approved the transfer of funds. The check was written by the staff who manages the checking account and the check was signed by Foundation's controller and Foundation Board treasurer. NMJC Foundation controller will communicate to the staff who manages the operating checking account that as the balance grows closer to the FDIC limit, inform the controller so that a transfer of funds can be made to the appropriate account held with another bank. Also, to provide a review of the operating checking account balance, the controller will on a weekly basis verify the balance in the checking account.

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, 2019 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 31, 2019. The following persons were in attendance:

New Mexico Junior College Foundation Officials

Dan Hardin, Foundation Treasurer
Tina Kunko, Foundation Controller

College Officials

Pat Chappelle, Chairman
Dr. Kelvin Sharp, President
Dan Hardin, Vice-President for Finance
Josh Morgan, Controller

New Horizons Foundation Officials

Dr. Kelvin Sharp, President

Carr, Riggs & Ingram, LLC

Cindy Bryan, Partner
Alan D. Bowers, Jr., CPA, Partner
Paul Garcia, Manager