

**MESALANDS COMMUNITY  
COLLEGE**

**AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

**JUNE 30, 2015**

*Woodard, Cowen & Co.*

Certified Public Accountants

STATE OF NEW MEXICO  
 MESALANDS COMMUNITY COLLEGE

TABLE OF CONTENTS

JUNE 30, 2015

	<u>Exhibit</u>	<u>Page</u> <u>Number</u>
Table of Contents .....		i-ii
Official Roster .....		iii
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report .....		1-3
Statement of Net Position .....	A	4
Statement of Revenues, Expenses and Changes in Net Position.....	B	5
Statement of Cash Flows .....	C	6
Statement of Fiduciary Assets and Liabilities--Agency Funds.....	D	7
Notes to the Financial Statements .....		8-26
<b>SUPPLEMENTARY INFORMATION</b>		
	<u>Schedule</u>	
Schedule of Budgeted and Actual Revenues and Expenditures Unrestricted and Restricted – All Operations .....	I	27
Schedule of Budgeted and Actual Revenues and Expenditures Unrestricted – Non Instruction & General.....	II	28
Schedule of Budgeted and Actual Revenues and Expenditures Restricted – Non Instruction & General .....	III	29
Schedule of Budgeted and Actual Revenues and Expenditures Unrestricted – Instruction & General.....	IV	30
Schedule of Budgeted and Actual Revenues and Expenditures Restricted – Instruction & General.....	V	31
Reconciliation of Budgetary Basis Revenues and Expenditures to GAAP Basis Revenues and Expenditures.....	VI	32
<b>SUPPORTING SCHEDULES</b>		
Schedule of Deposits and Investment Accounts.....	VII	33
Schedule of Pledged Collateral.....	VIII	34
Schedule of the Proportionate Share of Pension Liability Educational Retirement Board (ERB) Pension Plan – Last 10 Years .....	IX	35

STATE OF NEW MEXICO  
 MESALANDS COMMUNITY COLLEGE

TABLE OF CONTENTS

JUNE 30, 2015

	<u>Schedule</u>	<u>Page Number</u>
Schedule of Contributions Educational Retirement Board (ERB) Pension Plan – Last 10 Years.....	X	36
Schedule of Vendor Information for Purchases Exceeding \$60,000.....	XI	37-38
Agency Funds Description .....		39
Combining Schedule of Changes in Account Balances--Agency Fund.....	XII	40

FEDERAL AWARDS SECTION

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....		41-42
Report on Compliance with Requirements Applicable To Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....		43-44
Schedule of Expenditures of Federal Awards.....	XIII	45
Schedule of Findings and Questioned Costs.....	XIV	46-48
Other Disclosures .....		49

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

OFFICIAL ROSTER

JUNE 30, 2015

BOARD OF TRUSTEES

J. Bronson Moore	Chair
Jimmy Sandoval	Vice-Chair
James Streetman	Secretary
Teresa Stephenson	Member
Liz Estrada	Member

EXECUTIVE PERSONNEL

Dr. Thomas W. Newsom	President
Dr. Aaron Kennedy	Vice President of Student Affairs
Natalie Gillard	Vice President of Academic Affairs
Amanda Hammer	Director of Business and Auxiliary Services

# FINANCIAL SECTION

# Woodard, Cowen & Co.

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Timothy Keller  
New Mexico State Auditor  
The Board of Trustees  
Mesalands Community College  
Tucumcari, NM

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business type activities of Mesalands Community College as of and for the year ended June 30, 2015 and the related notes to the financial statements which collectively comprise the college's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons of the College presented as supplementary information, as defined by the Government Accounting Standards Board as of and for the year ended June 30, 2015, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 of Mesalands Community College as of June 30, 2015 and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects the budgetary comparisons of the College as of June 30, 2015 and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Mesalands Community College has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the omission of the Management Discussion and Analysis.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparisons of Mesalands Community College. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the schedule of changes in assets and liabilities – agency funds and the other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of federal awards and Supporting Schedules VII through XII 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, except schedule XI, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of federal awards and Supporting Schedules VII through XII are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015 on our consideration of Mesalands Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mesalands Community College's internal control over financial reporting and compliance.

Clovis, NM  
October 29, 2015



STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

EXHIBIT A

STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Primary Institution</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 3,954,651
Restricted cash held in trust by others (Note 4)	75,000
Accounts receivable, net (Note 5)	148,532
Inventories (Note 6)	219,139
Due from grantors (Note 5)	513,049
Due from other agencies (Note 5)	108,469
Total Current Assets	<u>5,018,840</u>
Noncurrent assets:	
Capital assets, net (Note 10)	19,366,119
Total Noncurrent Assets	<u>19,366,119</u>
Total Assets	<u>24,384,959</u>
<b>DEFERRED OUTFLOWS OF SOURCES</b>	
Prepaid expenses	26,652
Deferred outflows related to pensions	666,454
Total Deferred Outflows of Resources	<u>693,106</u>
<b>LIABILITIES</b>	
Current liabilities:	
Student deposits	7,380
Accounts payable and deferred liabilities	321,076
Compensated absences, current portion (Note 7)	253,061
Loan payable to the New Mexico Finance Authority, current portion (Note 8)	12,782
Total Current Liabilities	<u>594,299</u>
Noncurrent liabilities:	
Compensated absences, less current portion (Note 7)	17,135
Loan payable to the New Mexico Finance Authority, less current portion (Note 8)	127,122
Net pension liability	5,576,772
Total Noncurrent Liabilities	<u>5,721,029</u>
Total Liabilities	<u>6,315,328</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	12,250
Deferred inflows related to pensions	590,007
Total Deferred Inflows of Resources	<u>602,257</u>
<b>NET POSITION</b>	
Net investment in capital assets	19,366,119
Restricted for inventories	219,139
Restricted for endowments	75,000
Unrestricted	(1,499,778)
Total Net Position	<u>\$ 18,160,480</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
 MESALANDS COMMUNITY COLLEGE

EXHIBIT B

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

	Primary Institution
Operating Revenues:	
Student tuition and fees	\$ 660,833
Grants and contracts	2,006,355
Sales and services	360,503
Other operating revenues	111,352
Total Operating Revenues	<u>3,139,043</u>
Operating Expenses:	
Education and general	
Instruction	3,144,228
Academic support	705,391
Student support	625,504
Institutional support	1,170,358
Operation and maintenance of plant	669,013
Public Service	208,485
Student aid, grants and stipends	943,492
Renewals and replacements	42,391
Depreciation	656,528
Auxiliary enterprises	277,087
Intercollegiate athletics	186,308
Total Operating Expenses	<u>8,628,785</u>
Operating Income (Loss)	<u>(5,489,742)</u>
Nonoperating Revenues (Expenses):	
State appropriations	4,857,742
Taxes	277,712
Interest	14,121
Total Nonoperating Revenues (Expenses)	<u>5,149,575</u>
Income (Loss) before contributions and transfers	<u>(340,167)</u>
Capital Contributions	-
Change in Net Position	<u>(340,167)</u>
Net Position Beginning of Year	23,893,969
restatements	<u>(5,393,322)</u>
Net Position Beginning of Year as restated	<u>18,500,647</u>
Net Position End of Year	<u>\$ 18,160,480</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

EXHIBIT C

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

Cash flows from operating activities	
Receipts from student tuition and fees	\$ 660,833
Receipts from grants and contracts	2,006,355
Other receipts	471,855
Payments to or on behalf of employees	(4,398,398)
Payment to suppliers for goods and services	(2,228,983)
Payments for scholarships	(918,973)
Net cash (used) by operating activities	<u>(4,407,311)</u>
Cash flows from noncapital financing activities	
State appropriations	4,857,742
Tax revenues	277,712
Net cash provided by noncapital financing activities	<u>5,135,454</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	(391,477)
Notes Payable (net)	(12,782)
Net cash provided by capital and related financing activities	<u>(404,259)</u>
Cash flows from investing activities	
Investment earnings	14,121
Net cash provided by investing activities	<u>14,121</u>
Increase (decrease) in cash and cash equivalents	338,005
Cash and cash equivalents - beginning of year	<u>3,691,646</u>
Cash and cash equivalents - end of year	<u>\$ 4,029,651</u>
Reconciliation of net operating revenues (expenses) to net cash (used) by operations	
Operating Income (Loss)	\$ (5,489,742)
Adjustments to reconcile operating income (loss) to net cash (used) by operations	
Depreciation	656,528
Changes in assets and liabilities:	
Receivables	(305,258)
Inventories	18,789
Other assets	(11,813)
Accounts payable and accrued liabilities	625,430
Pension liabilities	84,077
Compensated Absences	14,678
Net cash (used) by operating activities	<u>\$ (4,407,311)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

EXHIBIT D

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -- AGENCY FUND

JUNE 30, 2015

ASSETS

Cash on deposit

\$ 39,246

TOTAL ASSETS

\$ 39,246

LIABILITIES

Due to student groups

\$ 39,246

TOTAL LIABILITIES

\$ 39,246

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

History

Mesalands Community College was established as Tucumcari Area Vocational School (TAVS) under the Area Vocational School Act of New Mexico during the thirty-third Legislative Session of the State of New Mexico. In January 1979, an act of the Legislature authorized the establishment of an area vocational school in Tucumcari (Statutory Authority: Sections 21-17-1 through 21-17-17 NMSA 1978). The school was authorized to offer programs of vocational education leading to certificates and diplomas.

In November 1993, the institution was authorized by the New Mexico Commission on Higher Education to offer Associate of Applied Science degrees for each of its technical/vocational programs. The degree programs were implemented in the fall semester of 1994.

In June 1994, the Commission on Higher Education authorized the College to offer the Associate of Applied Science degree for each of its technical/vocational programs. The degree programs were implemented in the fall semester of 1994.

In 1994, the Board of Trustees authorized Tucumcari Area Vocational School to begin doing business as Mesa Technical College in order to more accurately represent the institution to its varied constituents as a small community college.

In the fall semester 1995, Mesa Technical College implemented a pre-collegiate studies program and expanded its course offerings in general education. In the spring semester 1996, the College began expanding its offerings via distance learning, including the Electronic Distance Education Network (EDEN), a cooperative effort of the universities of New Mexico, PBS and the Internet.

In the spring semester of 1996, the College developed programs in paleontology and geology. Mesalands Dinosaur Museum and Natural Science Laboratories were planned, based on a partnership that developed between the College and the community in recognizing, owning, and promoting this region's rich heritage as one of the premier deposits of fossilized ancient life. The community continues to donate considerable time, energy, and resources to the museum for cataloging specimens and providing sites for further exploration.

The College launched an intensive effort to earn accreditation from the Commission on Institutions of Higher Education of the North Central Association of Colleges and Schools, and The Higher Learning Commission. Administration, faculty, and staff set forth on a fast-track to compress the two-year process normally needed to earn a site visit from NCA into a period of less than a year. In August 1997, these efforts were rewarded when NCA granted Mesa Technical College candidacy for accreditation. In August of 1999, Mesalands was granted the status of initial accreditation by NCA, at which time the state allowed the College to begin offering the Associate of Arts degree.

In the fall of 1998, the College launched a new Intercollegiate Rodeo program in response to the desire of its students and the locale in which the College is situated.

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

History, continued

With the College continuing to grow and mature, the College's name was changed to more adequately reflect its mission. On September 11, 2001, the Board of Trustees renamed the institution Mesalands Community College.

In the fall of 2008, the college launched a new program for Wind Technology Training in conjunction with the North American Wind Training and Research Center. The college, with funds provided from federal state and local sources has erected its own wind turbine on campus to provide educational opportunities and electricity for the college.

Reporting Entity

The College is considered to be the reporting entity, and the College does not have any component units.

Accounting Policies

The financial statements of the Mesalands Community College (the College) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to educational institutions. The more significant of the College's accounting policies are described below.

A. Basis of Presentation

As of July 1, 2003, the College was required to implement Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; GASB Statement No. 35 – *Basic Financial Statements and Management's Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*; and GASB Statement No. 38 – *Certain Financial Statement Notice Disclosures*. This financial report provides an entity-wide perspective of the College's assets, liabilities, and net position, revenues, expenses and changes in net position, and cash flows. Presentation under GASB Statement Nos. 34, 35, 37 and 38 replaces the fund-group accounting perspective that was previously required.

B. Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity 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 College has the option to apply all Financial Accounting Standards Board (FASB) pronouncement issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected not to apply FASB pronouncements after the applicable dates.

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

C. Significant Accounting Policies

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain 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 reported period. Actual results could differ significantly from those estimates.

*Cash and cash equivalents:* Cash and cash equivalents consist of all highly liquid investments with original maturities of three months or less.

*Accounts receivable:* The College records student accounts receivable at the time a student registers for classes. Provisions for un-collectable student accounts are recorded to maintain an adequate allowance for anticipated losses.

*Inventories:* Inventories, consisting mainly of items held for resale, are valued at the lower of cost or market on a first-in, first-out (FIFO) basis. They are reported at cost.

*Capital Assets:* Capital assets are recorded at original cost, or fair value if donated. The College's capitalization policy for moveable equipment includes all items with a unit cost of \$5,000 or more, and an estimated useful life greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Software, whether purchased or developed for internal use, and library books are capitalized and depreciated under the college policies. Museum collection pieces are booked at estimated fair market value when received or internally developed in the College foundry. These pieces are deemed to appreciate in value and therefore no depreciation is accumulated on them. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

	<u>Life in Years</u>
Buildings and improvements	50
Land improvements	20
Leasehold improvements	10
Library books	10
Equipment	5 – 12

*Net Position:* Is classified as follows:

Invested in capital assets, net of related debt represents the College's total investment in capital assets net of outstanding debt related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. There are no such amounts as of June 30, 2015.

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

C. Significant Accounting Policies, continued

*Net Position*, continued

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 is resources that the College is legally or contractually obligated to spend in accordance with imposed restrictions by third parties. Restricted non-expendable net position consist of endowment and similar funds in which third parties have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income. The income generated from the principal may be expended or added to the principal.

Unrestricted net position consists of those operating funds over which the governing board retains full control to use in achieving any of its authorized use.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy it to first apply the expense toward restricted resources, and then toward unrestricted resources.

*Revenues:* Are classified as operating or non-operating according to the following criteria:

Operating revenues include activities that have the characteristics of an exchange transaction, such as a) student tuition and fees, net of scholarship discounts and allowances; and b) sales and services; and c) contracts and grants. Grant revenues are recognized when all eligibility requirements have been met.

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as a) appropriations; b) taxes; and c) investment income.

Student tuition and fee revenue and auxiliary enterprises revenue from students are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship Allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or non-governmental programs, are recorded as operating or non-operating revenue in the College's financial statements. To the extent that revenue from such programs are used to satisfy tuition and fees, other student charges, and auxiliary enterprise charges the College has recorded a scholarship allowance.

Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year and are available to the College is subsequent years.

Deferred revenue consists primarily of advances from contracts and grants. Revenue is recognized to the extent expenses are incurred.



STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

C. Significant Accounting Policies, continued

*Expenses:* Are classified as operating or non-operating according to the following criteria:

Operating expenses include activities that have the characteristic of an exchange transaction, such as a) employee salaries, benefits, and related expenses; b) scholarships and fellowships, net of scholarship discounts and allowances; c) utilities, supplies, and other services; d) professional fees; and e) depreciation expenses related to College property, plant and equipment.

Non-operating expenses include activities that have the characteristics of non-exchange - transactions, such as interest on capital-related debt and bonds expenses that are defined as non-operating expenses by GASB Statement No. 9 – *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34.

D. Accounting Changes

As a result of the adoption of GASB Statement Nos. 34, 35, 37, 38, and 40, the financial statements are required to provide a comprehensive perspective of the College's assets, liabilities, and net position, revenues, expenses, and changes in net position, and cash flows, and replaces the fund group perspective that was previously required. The impact of adopting the new standards resulted in adding management's discussion and analysis as required supplementary information; adding a management's discussion and analysis as required supplementary information; adding a direct method statement of cash flows; classifying net position as invested in capital assets, net of related debt, restricted and unrestricted; classifying net position as invested in capital assets, net of related debt, restricted and unrestricted; classifying the statement of net position between current and non-current assets and liabilities and classifying revenue and expenses as operating and non-operating.

E. Budgetary Process

The Board adopts an annual budget for the current unrestricted and restricted funds. And the unexpected plant funds that are prepared by the administration and approved by the Board, the state of New Mexico Commission on Higher Education, and the state Budget Division of the Department of Finance and Administration. 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.

Budgets are adopted on a basis of accounting that is not in accordance with generally accepted accounting principles. The budget is adopted on a modified accrual basis. Certain revenues and expenditures that have been earned and incurred in accordance with generally accepted accounting principles are deferred under the budgetary basis. An example would be accrued vacation pay.

In the statements prepared in accordance with generally accepted accounting principles, the accrued vacation liability is recognized. For the budgetary basis, the College does not

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

F. Budgetary Process, continued

recognize the expense and liability until the wage expense is paid in subsequent years. Budgetary comparisons presented in the accompanying supporting schedules for the current unrestricted and restricted funds, and the plant funds are on this non-GAAP budgetary basis. These budgets secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Since the process in the state of

New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, the appropriated cash balance is legally restricted and is therefore, used in the calculation to determine the annual budget.

Budgetary control is required to be exercised over the total major expenditure category for each of the following budgetary functions: instruction and general, internal services, student social and cultural development activities, student aid grants and stipends, auxiliary enterprises, intercollegiate athletics, major and minor capital outlay, and each item of transfer between funds and/or functions. Total expenditures or transfers in each of the above enumerated items of budgetary control may not exceed the amount shown in the final budget.

G. Non-Exchange Transactions

The College has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* commencing with the fiscal year beginning on July 1, 2001. No adjustments of prior periods have been necessary and as such, no restatements of beginning fund balances have been made to the financial statements to and from other funds for the period.

H. Income Tax Status

The College is an institution of higher education of the State of New Mexico and as such the income accruing from the exempt purposes of the College is not subject to federal income taxes. Any unrelated business income in excess of \$1,000 is reported to the federal government. Any income tax accruing from such income would be paid from the profits of the business income.

I. Accounting Applications

The College uses a computerized system to prepare all the accounting records.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 results could differ from those estimates.

STATE OF NEW MEXICO  
 MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

K. Accounting and Financial Reporting for Deferred Resources

GASB 63 requires certain financial reporting of deferred outflows of resources, deferred inflows of resources, and net position and GASB 65 helps to identify items which were previously reported as assets and liabilities that are now reported as deferred resources. Deferred outflows of resources is a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net assets by the government that is applicable to a future reporting period.

3. **CASH**

Cash and cash equivalents include cash on hand, certificates of deposit, and cash in banks with various financial institutions. As of June 30, 2015, the amount of cash and cash equivalents reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. Except for items in transit, the carrying value of deposits by the respective depositories equates to the carrying value by the College. New Mexico State Statutes authorize the College to deposit cash with a bank, savings and loan association, or credit union whose deposits are insured by an agency of the United States. All cash deposits that exceed the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Shares Insurance Fund (NCUSIF) amount of \$ 250,000, are required to be collateralized with eligible securities, as described by New Mexico State Statutes, in amounts equal to at least 50% of the College's carrying value of the deposits. Collateral pledged is held in safekeeping by other financial institutions. The pledged securities remain in the name of the financial institution.

Collateral requirements are as follows:

Total Deposits all Banks	\$ 4,121,698
Less: FDIC or NCUSIF Coverage	<u>1,236,484</u>
Uninsured Public Funds	<u>2,885,214</u>
50% Collateral Required	1,442,607
Pledged collateral held by pledging banks agents in the name of the College	<u>( 3,828,642)</u>
Uninsured and un-collateralized	<u>\$ -0-</u>

**Custodial credit risk-** is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2015, the government's bank balance of \$ 4,121,698 was exposed to custodial credit risk as follows:

	<u>Mesalands Community College</u>
Uninsured and Un-collateralized	<u>\$ -0-</u>

4. **CASH HELD BY OTHERS**

During the 2007 and 2008 fiscal year Mesalands Community College received \$ 65,000 from the state legislature for a faculty endowment fund. The funds were received under Section 21-1-27.1 NMSA 1978. The college has entrusted the funds over to Mesalands Community College Foundation to manage. During 2009 another \$10,000 was added to this endowment fund through contributions.

STATE OF NEW MEXICO  
 MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

**5. ACCOUNTS RECEIVABLE**

The College's accounts receivable at June 30, 2015, represent revenues earned from the student tuition and fees, loans, advances to students, local tax levy, the federal government grants and contracts, and State of New Mexico agencies that include pass through federal and state grants. With the exception of the student tuition and fees receivable, all amounts are expected to be collected within sixty days after year-end.

A schedule of receivables and allowance for doubtful accounts by fund is as follows:

	Gross	Allowance for Doubtful Accounts	Net
Student tuition and fees	\$ 168,302	\$ 20,973	\$ 147,329
NSF check chargeback	1,203	-	1,203
Grants receivable	513,049	-	513,049
NM GO Bond funds receivable	79,282		79,282
Due from IRS	19,837		19,837
Taxes receivable	9,350	-	9,350
Total Account Receivable	<u>\$ 791,023</u>	<u>\$ 20,973</u>	<u>\$ 770,050</u>

Property taxes are required to be imposed prior to October 1 and attach as an enforceable lien on property within the district on January 1, however, they are due and payable in two equal installments on November 10 and April 10 of the following year, and become delinquent 30 days after the due date. The property taxes are collected by the Quay County Treasurer and remitted to the College in the month following the month of collection. Prior year's delinquent property tax amounts were not available from the Quay County Treasurer.

**6. INVENTORIES**

Inventories consist of items for resale in the bookstore and museum of the College. All inventories are presented at cost using the first in/first out (FIFO) method of accounting. The balance of inventories at June 30, 2015 was \$ 219,139.

**7. COMPENSATED ABSENCES PAYABLE**

Administrative and non-instructional employees on twelve-month contracts accumulate annual leave. Instructional employees are governed by their contracts and may not carryover annual leave.

For employees with less than ten years of service, annual continual leave is ten working days of annual leave. As each employee completes a year of service and has not taken the allocated annual leave for the year, the employee has six months to take the unused annual leave or the employee loses it. Accrued vacation leave was valued using the pay levels in effect and was \$ 172,649 at June 30, 2015. In addition, the College had personnel with earned sick leave of

STATE OF NEW MEXICO  
 MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

**7. COMPENSATED ABSENCES PAYABLE, continued**

which one-third (1/3) is accrued at separation using the pay levels in effect at June 30, 2015 of \$ 97,547. The compensated absences balance at June 30, 2015 is \$ 270,196. There is an increase of \$ 14,678 from the previous year-end balance of \$ 255,518.

	<u>6/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/15</u>	Amounts Due in <u>One Year</u>
Total Compensated Absences	\$ 255,518	\$ 17,135	\$ 2,457	\$ 270,196	\$ 253,061

**8. LONG-TERM DEBT**

On October 5, 2011 the College received a loan from the New Mexico Finance Authority. The proceeds of the loan were used to make repairs to the roof of the main building on campus. The loan is non interest bearing, and was in the amount of \$ 178,250. Thirteen annual payments of \$ 12,782 are due beginning July 15, 2012 with a final payment of \$ 12,084 due July 15, 2025.

	<u>Balance 7/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2015</u>	Amounts Due Within <u>One Year</u>
NMFAA	\$ 152,686	\$ -	\$ 12,782	\$ 139,904	\$ 12,782
TOTAL	\$ 152,686	\$ -	\$ 12,782	\$ 139,904	\$ 12,782

The annual requirement to amortize all long-term debt as of June 30, 2015 is shown below:

	<u>NMFAA</u>
6/30/2016	12,782
6/30/2017	12,782
6/30/2018	12,782
6/30/2019	12,782
6/30/2020	12,782
2021-2025	63,910
6/30/2026	12,084
TOTAL	\$ 139,904

**9. AGENCY FUNDS**

Agency funds are used to account for assets held by the College as an agent for private organizations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of funds. At June 30, 2015, the College held \$ 39,246 in agency funds in custody for various groups. Agency funds have their own bank account and are not co-mingled with the College's monies.

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

**10. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<b>Non-Depreciated</b>				
Land	\$ 822,495	\$ -	\$ -	\$ 822,495
Museum Collection	1,149,816	-	-	1,149,816
Construction in Progress	666,184	353,641	1,019,825	-
Total Non-Depreciated	<u>2,638,495</u>	<u>353,641</u>	<u>1,019,825</u>	<u>1,972,311</u>
<b>Other Capital Assets</b>				
Leasehold Improvements	22,373	-	-	22,373
Library Books	246,849	5,675	-	252,524
Buildings & Improvements	17,190,163	1,019,825	-	18,209,988
Equipment	5,802,084	32,161	-	5,834,245
Total Depreciable Assets	<u>23,261,469</u>	<u>1,057,661</u>	<u>-</u>	<u>24,319,130</u>
Total Capital Assets	<u>25,899,964</u>	<u>1,411,302</u>	<u>1,019,825</u>	<u>26,291,441</u>
<b>Accumulated Depreciation</b>				
Leasehold Improvements	20,629	1,697	-	22,326
Library Books	172,674	6,263	-	178,937
Buildings & Improvements	3,112,693	387,843	-	3,500,536
Equipment	2,962,799	260,725	-	3,223,524
Total Accumulated Depreciation	<u>6,268,795</u>	<u>656,528</u>	<u>-</u>	<u>6,925,323</u>
Capital Assets - net	<u>\$ 19,631,169</u>	<u>\$ 754,774</u>	<u>\$ 1,019,825</u>	<u>\$ 19,366,118</u>

**11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD**

Summary of Significant Accounting Policies

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.

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

**11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD, continued**

General Information about the Pension Plan

Plan Description – Substantially all of Mesalands Community College's (College) full-time employees participate in an educational employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities, and some state agency employees) and beneficiaries. ERB issues a separate, publicly available financial report that includes the financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

Funding Policy

Benefits provided - A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater. A brief summary of Plan coverage provisions follows:

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member's age and earned service credit add up to the sum of 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

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

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

**11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD, continued**

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

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

Contributions - The contribution requirements of defined benefit plan members and the College are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the College were \$395,767 for the year ended June 30, 2015.



STATE OF NEW MEXICO  
 MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

**11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD, continued**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the College reported a liability of \$5,576,772 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, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the College's proportion was .09774 percent, which was an increase of .00581 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the College recognized pension expense of \$ 84,293. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 83,071
Changes of assumptions	270,687	-
Net difference between projected and actual earnings on pension plan investments	-	506,936
Changes in proportion and differences between the District contributions and proportionate share of contributions	-	-
The College's contributions subsequent to the measurement date	<u>395,767</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 666,454</u></b>	<b><u>\$ 590,007</u></b>

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

**11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD, continued**

\$ 395,767 reported as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	( 61,596)
2017	( 61,596)
2018	( 69,413)
2019	(126,739)
Thereafter	Unavailable

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

1. All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

**11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD, continued**

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

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

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2014 and 2013 for 30-year return assumptions are summarized in the following table:

STATE OF NEW MEXICO  
 MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

**11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD, continued**

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

STATE OF NEW MEXICO  
 MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

**11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD, continued**

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2014 and June 30, 2013. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate. The following table presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
The District's proportionate share of the net pension liability	<u>\$ 7,587,844</u>	<u>\$ 5,576,772</u>	<u>\$ 3,896,842</u>

Pension plan fiduciary net position - Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2014 and 2013 which are publicly available at [www.nmerb.org](http://www.nmerb.org).

Payables to the pension plan – The College has no payables to the pension plan.

**12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

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

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

**12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN, continued**

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

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

Funding Policy - The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for

healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal 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 retirement plan during the fiscal year ended June 30, 2015, that statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS - continued

JUNE 30, 2015

**12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN, continued**

The Mesalands Community College's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$59,452, \$57,737 and \$52,843 respectively, which equal the required contributions for each year.

**13. RISK MANAGEMENT**

The College is subject to risk of loss through areas of general liability, workers compensation, and natural disaster. To minimize the risk of financial loss, the College participates in the New Mexico Public School Insurance Authority (a risk pool of all education agencies within the State of New Mexico). The New Mexico Public School Insurance Authority acts as a common carrier of insurance. The assumption of risk is upon the payment of premiums by the College to the New Mexico Public School Authority and lies with the Authority. The Authority reevaluates premiums annually and Mesalands Community College's risk is limited to premiums paid and respective deductibles.

**14. DERIVED TAX REVENUES**

The College reports all revenues received from derived tax revenues or imposed non-exchange revenues according to requirements of GASB 33 & 36.

**15. INDEPENDENT SCHOLARSHIP FUNDS**

Various individuals have established scholarship funds at Citizens Bank located in Tucumcari, New Mexico. The College is entitled to the earnings from the accounts. Such interest income is used to award scholarship to students. The College does not own the cash held within those accounts, therefore, the College has not recorded the cash balances within the accounting ledgers of the College.

**16. BUDGETS**

At June 30, 2015 the College had an overspent budget that consisted of the following:

Intercollegiate Athletics	\$18,828
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**17. RESTRICTED NET POSITION**

The statement of net position reports \$294,139 of restricted net position, of which \$294,139 is restricted by enabling legislation.

**18. RESTATEMENT OF NET POSITION**

The statement of net position was restated as follows:

Payroll Liabilities	\$ 22,926
Pension Liabilities	<u>(5,416,248)</u>
Total Restatement	<u>\$ (5,393,322)</u>

## SUPPLEMENTAL INFORMATION



STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

SCHEDULE I

SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES  
UNRESTRICTED AND RESTRICTED - ALL OPERATIONS

FOR THE YEAR ENDING JUNE 30, 2015

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Beginning Fund Balance	\$ 2,833,746	\$ 3,617,683	\$ 3,617,683	\$ -
Unrestricted and Restricted Revenues:				
Tuition and Miscellaneous Fees	1,067,466	1,067,466	694,615	372,851
Federal Government Appropriations	1,064,138	1,064,138	678,175	385,963
State Government Appropriations	4,789,898	4,789,898	4,748,946	40,952
Local Government Appropriations	229,969	249,969	304,430	(54,461)
Federal Govt. Grants and Contracts	936,054	1,148,985	971,425	177,560
State Govt. Grants and Contracts	172,311	177,079	155,693	21,386
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	105,000	105,000	72,522	32,478
Endowments, Land, and Perm Fund	-	-	-	-
Sales and Services	755,297	755,297	367,291	388,006
Other Sources	170,961	170,961	77,074	93,887
State GO and Severance Tax Bonds	674,582	674,582	348,590	325,992
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	375,600	375,600	381,600	(6,000)
Total Unrestricted and Restricted Revenues	<u>10,341,276</u>	<u>10,578,975</u>	<u>8,800,361</u>	<u>1,778,614</u>
Unrestricted and Restricted Expenditures:				
Instruction	3,062,638	3,325,569	3,127,897	197,672
Academic Support	774,703	774,703	701,727	72,976
Student Services	798,219	698,219	622,255	75,964
Institutional Support	1,224,115	1,324,115	1,164,279	159,836
Operation & Maintenance of Plant	767,794	717,794	665,538	52,256
Public Service	417,215	421,983	208,485	213,498
Student Aid, Grants & Stipends	1,456,336	1,456,336	943,492	512,844
Auxiliary Enterprises	384,260	384,260	277,087	107,173
Intercollegiate Athletics	147,480	167,480	186,308	(18,828)
Renewal & Replacement	57,497	57,497	15,778	41,719
Internal Services	410,759	410,759	319,967	90,792
Capital Outlay	874,614	874,614	397,746	476,868
Total Unrestricted and Restricted Expenditures	<u>10,375,630</u>	<u>10,613,329</u>	<u>8,630,559</u>	<u>1,982,770</u>
Net Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance (budgetary basis)	<u>(34,354)</u>	<u>(34,354)</u>	<u>169,802</u>	<u>(204,156)</u>
Ending Fund Balance	<u>\$ 2,868,100</u>	<u>\$ 3,652,037</u>	<u>\$ 3,787,485</u>	<u>\$ 204,156</u>

The accompanying notes are an integral part of these financial statements

SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES  
 UNRESTRICTED - NON INSTRUCTION & GENERAL

FOR THE YEAR ENDING JUNE 30, 2015

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Beginning Fund Balance	\$ 575,209	\$ 637,381	\$ 637,381	\$ -
Unrestricted Revenues:				
Tuition and Miscellaneous Fees	83,174	83,174	38,376	44,798
Federal Government Appropriations	-	-	-	-
State Government Appropriations	284,500	284,500	265,200	19,300
Local Government Appropriations	-	20,000	20,000	-
Federal Govt. Grants and Contracts	-	-	-	-
State Govt. Grants and Contracts	-	-	-	-
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	5,000	5,000	900	4,100
Endowments, Land, and Perm Fund	-	-	-	-
Sales and Services	755,297	755,297	367,291	388,006
Other Sources	19,700	19,700	608	19,092
State GO and Severance Tax Bonds	674,582	674,582	348,590	325,992
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	375,600	375,600	381,600	(6,000)
Total Unrestricted Revenues	2,197,853	2,217,853	1,422,565	795,288
Unrestricted Expenditures:				
Instruction	-	-	-	-
Academic Support	-	-	-	-
Student Services	-	-	-	-
Institutional Support	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Public Service	279,150	279,150	68,489	210,661
Student Aid, Grants & Stipends	151,500	151,500	74,897	76,603
Auxiliary Enterprises	384,260	384,260	277,087	107,173
Intercollegiate Athletics	147,480	167,480	186,308	(18,828)
Renewal & Replacement	57,497	57,497	15,778	41,719
Internal Service	410,759	410,759	319,967	90,792
Capital Outlay	874,614	874,614	397,746	476,868
Retirement of Indebtedness	-	-	-	-
Total Unrestricted Expenditures	2,305,260	2,325,260	1,340,272	984,988
Net Transfers	186,829	186,829	186,829	-
Change in Fund Balance (budgetary basis)	79,422	79,422	269,122	(189,700)
Ending Fund Balance	\$ 654,631	\$ 716,803	\$ 906,503	\$ (189,700)

The accompanying notes are an integral part of these financial statements

SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES  
 RESTRICTED - NON INSTRUCTION & GENERAL

FOR THE YEAR ENDING JUNE 30, 2015

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
Restricted Revenues:				
Tuition and Miscellaneous Fees	-	-	-	-
Federal Government Appropriations	1,064,138	1,064,138	678,175	385,963
State Government Appropriations	140,698	140,698	119,093	21,605
Local Government Appropriations	-	-	-	-
Federal Govt. Grants and Contracts	21,689	21,689	20,689	1,000
State Govt. Grants and Contracts	115,311	120,079	119,309	770
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	100,000	100,000	71,622	28,378
Endowments, Land, and Perm Fund	-	-	-	-
Sales and Services	-	-	-	-
Other Sources	-	-	-	-
State GO and Severence Tax Bonds	-	-	-	-
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	-	-	-	-
Total restricted revenues	<u>1,441,836</u>	<u>1,446,604</u>	<u>1,008,888</u>	<u>437,716</u>
Restricted Expenditures:				
Instruction	-	-	-	-
Academic Support	-	-	-	-
Student Services	-	-	-	-
Institutional Support	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Public Service	138,065	142,833	139,996	2,837
Student Aid, Grants & Stipends	1,304,836	1,304,836	868,595	436,241
Auxiliary Enterprises	-	-	-	-
Intercollegiate Athletics	-	-	-	-
Renewal & Replacement	-	-	-	-
Internal Service	-	-	-	-
Capital Outlay	-	-	-	-
Total restricted expenses	<u>1,442,901</u>	<u>1,447,669</u>	<u>1,008,591</u>	<u>439,078</u>
Net Transfers	-	-	-	-
Change in Fund Balance (budgetary basis)	<u>(1,065)</u>	<u>(1,065)</u>	<u>297</u>	<u>(1,362)</u>
Ending Fund Balance	<u>\$ (1,065)</u>	<u>\$ (1,065)</u>	<u>\$ 297</u>	<u>\$ (1,362)</u>

The accompanying notes are an integral part of these financial statements

SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES  
UNRESTRICTED - INSTRUCTION & GENERAL

FOR THE YEAR ENDING JUNE 30, 2015

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Beginning Fund Balance	\$ 2,258,537	\$ 2,980,302	\$ 2,980,302	\$ -
Unrestricted Revenues:				
Tuition and Miscellaneous Fees	984,292	984,292	656,239	328,053
Federal Government Appropriations	-	-	-	-
State Government Appropriations	4,364,700	4,364,700	4,364,653	47
Local Government Appropriations	229,969	229,969	284,430	(54,461)
Federal Govt. Grants and Contracts	-	-	-	-
State Govt. Grants and Contracts	-	-	-	-
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	-	-	-	-
Endowments, Land, and Perm Fund	-	-	-	-
Sales and Services	-	-	-	-
Other Sources	151,261	151,261	76,466	74,795
State GO and Severance Tax Bonds	-	-	-	-
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	-	-	-	-
Total Unrestricted Revenues	<u>5,730,222</u>	<u>5,730,222</u>	<u>5,381,788</u>	<u>348,434</u>
Expenditures:				
Instruction	2,092,338	2,142,338	2,141,588	750
Academic Support	774,703	774,703	701,727	72,976
Student Services	798,219	698,219	622,255	75,964
Institutional Support	1,224,115	1,324,115	1,164,279	159,836
Operation & Maintenance of Plant	767,794	717,794	665,538	52,256
Public Service	-	-	-	-
Student Aid, Grants & Stipends	-	-	-	-
Auxiliary Enterprises	-	-	-	-
Intercollegiate Athletics	-	-	-	-
Renewal & Replacement	-	-	-	-
Internal Service	-	-	-	-
Capital Outlay	-	-	-	-
Total Unrestricted Expenditures	<u>5,657,169</u>	<u>5,657,169</u>	<u>5,295,387</u>	<u>361,782</u>
Net Transfers	<u>(186,829)</u>	<u>(186,829)</u>	<u>(186,829)</u>	<u>-</u>
Change in Fund Balance (Budgetary Basis)	<u>(113,776)</u>	<u>(113,776)</u>	<u>(100,428)</u>	<u>(13,348)</u>
Ending Fund Balance	<u>\$ 2,144,761</u>	<u>\$ 2,866,526</u>	<u>\$ 2,879,874</u>	<u>\$ (13,348)</u>

The accompanying notes are an integral part of these financial statements

SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES  
 RESTRICTED - INSTRUCTION & GENERAL

FOR THE YEAR ENDING JUNE 30, 2015

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget (Over) Under
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
Restricted Revenues:				
Tuition and Miscellaneous Fees	-	-	-	-
Federal Government Appropriations	-	-	-	-
State Government Appropriations	-	-	-	-
Local Government Appropriations	-	-	-	-
Federal Govt. Grants and Contracts	914,365	1,127,296	950,736	176,560
State Govt. Grants and Contracts	57,000	57,000	36,384	20,616
Local Govt. Grants and Contracts	-	-	-	-
Private Gifts	-	-	-	-
Endowments, Land, and Perm Fund	-	-	-	-
Sales and Services	-	-	-	-
Other Sources	-	-	-	-
State GO and Severance Tax Bonds	-	-	-	-
Renewal & Replacement	-	-	-	-
Miscellaneous Institutional Revenue	-	-	-	-
Total Restricted Revenues	<u>971,365</u>	<u>1,184,296</u>	<u>987,120</u>	<u>197,176</u>
Restricted Expenditures:				
Instruction	970,300	1,183,231	986,309	196,922
Academic Support	-	-	-	-
Student Services	-	-	-	-
Institutional Support	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Public Service	-	-	-	-
Student Aid, Grants & Stipends	-	-	-	-
Auxiliary Enterprises	-	-	-	-
Intercollegiate Athletics	-	-	-	-
Renewal & Replacement	-	-	-	-
Internal Service	-	-	-	-
Capital Outlay	-	-	-	-
Total Restricted Expenditures	<u>970,300</u>	<u>1,183,231</u>	<u>986,309</u>	<u>196,922</u>
Net Transfers	-	-	-	-
Change in Fund Balance (Budgetary Basis)	<u>1,065</u>	<u>1,065</u>	<u>811</u>	<u>254</u>
Ending Fund Balance	<u>\$ 1,065</u>	<u>\$ 1,065</u>	<u>\$ 811</u>	<u>\$ 254</u>

The accompanying notes are an integral part of these financial statements

RECONCILIATION OF BUDGETARY BASIS REVENUES AND  
EXPENDITURES TO GAAP BASIS REVENUES AND EXPENDITURES

FOR THE YEAR ENDING JUNE 30, 2015

Unrestricted and Restricted Revenues:

Total Budgetary Basis	\$ 8,800,361
Add: Current year receivables and other credits	299,804
Deduct: Prior year receivables and other debits	811,547
Total GAAP Basis	<u>\$ 8,288,618</u>

Unrestricted and Restricted Expenditures:

Total Budgetary Basis	\$ 8,630,559
Add: Current year payables and other debits	66,378
Deduct: Prior year payables and other credits	68,152
Total GAAP Basis	<u>\$ 8,628,785</u>

The accompanying notes are an integral part of these financial statements

## SUPPORTING SCHEDULES

SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS

JUNE 30, 2015

		Account Type	Balance per Bank	Deposits in Transit	Outstanding Checks	Reconciled Cash
1st National Bank of New Mexico	General	MM	\$ 2,691,644	\$ 1,299	\$ (132,329)	\$ 2,560,614
1st National Bank of New Mexico	Payroll	MM	3,570	-	(1,153)	2,417
Wells Fargo	General	MM	693,569	3,213	-	696,782
Everyones Federal Credit Union	Agency	Share Draft	39,348	-	(102)	39,246
Quay Schools Credit Union	General	CD	41,693	-	-	41,693
Tucumcari Federal S&L	General	CD	53,857	-	-	53,857
Everyones Federal Credit Union	General	CD	53,922	-	-	53,922
Everyones Federal Credit Union	General	CD	53,922	-	-	53,922
Everyones Federal Credit Union	General	CD	53,580	-	-	53,580
Tucumcari Federal S&L	General	CD	53,228	-	-	53,228
Quay Schools Credit Union	General	CD	54,015	-	-	54,015
Quay Schools Credit Union	General	CD	97,137	-	-	97,137
Tucumcari Federal S&L	General	CD	63,667	-	-	63,667
Tucumcari Federal S&L	General	CD	63,651	-	-	63,651
Quay Schools Credit Union	General	CD	52,835	-	-	52,835
Everyones Federal Credit Union	General	CD	52,060	-	-	52,060
			<u>\$ 4,121,698</u>	<u>\$ 4,512</u>	<u>\$ (133,584)</u>	<u>3,992,626</u>
Petty Cash						<u>1,271</u>
						<u>3,993,897</u>
Add: Cash held by others						75,000
Cash overdraft						-
Less: Agency fund cash						<u>(39,246)</u>
Total cash Statement of Net Assets						<u>\$ 4,029,651</u>

\* All accounts are interest bearing

The accompanying notes are an integral part of these financial statements



SCHEDULE OF PLEDGED COLLATERAL

JUNE 30, 2015

	Total Deposits	FDIC or NCUSIF Insurance	Collateral Required	Collateral Pledged	Security Deficit
1ST National Bank of New Mexico	\$ 2,691,844	\$ 250,000	\$ 1,220,822	\$ 3,560,042	\$ -
1st National Bank of New Mexico	\$ 3,570	\$ 3,570	\$ -	\$ -	\$ -
Everybody's Federal Credit Union	\$ 39,348	\$ 39,348	\$ -	\$ -	\$ -
Wells Fargo	\$ 693,569	\$ 250,000	\$ 221,785	\$ 268,600	\$ -
Quay Schools Credit Union	\$ 245,680	\$ 245,680	\$ -	\$ -	\$ -
Tucumcari Federal S & L	\$ 234,403	\$ 234,403	\$ -	\$ -	\$ -
Everybody's Federal Credit Union	\$ 213,484	\$ 213,484	\$ -	\$ -	\$ -

All pledged securities are held by the financial institutions agent at:

1st National Bank of New Mexico:

COLLATERAL	CUSIP #	MATURITY		HELD AT
Roosevelt Cnty NM G.R.	776461AL9	06/01/17	\$ 107,598	Federal Home Loan Bank of Dallas 8500 Freeport Parkway South, Suite 100 Irving, Texas 75063-2547
Torrance ETC CNTYS NM	891400MS9	03/15/18	229,676	
Mosquero NM Mun Sch Dist	619636DR1	08/15/18	261,595	
Portales NM Mun Sch Dist	736151DH1	01/15/17	101,859	
Portales NM Mun Sch Dist	736151DJ7	01/15/18	256,066	
Santa Rosa NM CSD #8	802751DP9	05/15/17	331,719	
Taos NM Mun Sch Dist	878014FC0	09/01/17	275,011	
FHLMC	3134G44X3	05/30/28	237,897	
Clovis NM Mun Sch Dist	189414KV6	08/01/25	412,677	
FNMA Pool #MA1983	31418BFZ4	08/01/34	953,797	
GNMA II Pool #MA0825	36179M4J6	03/20/28	392,147	
			\$ 3,560,042	

Wells Fargo:

COLLATERAL	CUSIP #	MATURITY		HELD AT
FNMA FNMS	3138ASWB4	9/1/2041	46,982	BNY Mellon One Wall Street, Fourth Floor New York, NY 10286
FNMA FNMS	3138E3AA1	2/1/2042	1,961	
FNMA FNMS	3138EDDP3	4/1/2042	4,726	
FNMA FNMS	3138MRBY6	12/1/2042	3,623	
FNMA FNMS	3138W33J0	2/1/2043	3,935	
FNMA FNMS	3138WPGZ1	4/1/2043	856	
FNMA FNMS	3138YJRV0	3/1/2030	1,727	
FNMA FNMS	31417DDA8	10/1/2042	3,456	
FNMA FNMS	31417DTE3	11/1/2042	4,135	
FNMA FNMS	31417EKV2	1/1/2043	197,199	
			268,600	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
 MESALANDS COMMUNITY COLLEGE

SCHEDULE IX

SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY  
 EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN - LAST 10 FISCAL YEARS\*

JUNE 30, 2015

	<u>2015</u>
Proportion of the net pension liability	0.09774%
Proportionate share of the net pension liability	\$ 5,576,772
Covered-employee payroll	\$ 2,892,393
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	192.81%
Plan fiduciary net position as a percentage of total pension liability	66.54%

\* 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, the Estancia Municipal School District will present information for those years for which information is available.

STATE OF NEW MEXICO  
 MESALANDS COMMUNITY COLLEGE

SCHEDULE X

SCHEDULE OF CONTRIBUTIONS EDUCATIONAL RETIREMENT  
 BOARD (ERB) PENSION PLAN - LAST 10 FISCAL YEARS\*

JUNE 30, 2015

	<u>2015</u>
Contractually required contribution	\$ 395,767
Contributions in relation to the contractually required contribution	395,767
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 2,892,393
Contributions as a percentage of covered-employee payroll	13.68%

\* 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, Mesalands Community College will present information for those years for which information is available.

Notes to Required Supplementary Information (Schedules IX & X)

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

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

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

See also the Actuarial Assumptions subsection of the financial statement note disclosure General Information on the Pension Plan.

STATE OF NEW MEXICO  
 MESALANDS COMMUNITY COLLEGE

SCHEDULE OF VENDOR INFORMATION FOR PURCHASES  
 EXCEEDING \$60,000 (EXCLUDING GRT)

FOR THE YEAR ENDED JUNE 30, 2015

PREPARED BY AGENCY STAFF NAME: AMANDA HAMMER  
 TITLE: DIRECTOR OF BUSINESS & AUXILIARY SERVICES DATE: NOVEMBER 5, 2015

<u>RFB#/RFP#</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>\$ Amount of Awarded Contract</u>	<u>\$ Amount of Amended Contract</u>
101	Amendment	WWRC, Inc.	\$ 897,500.00	\$ 930,108.52
NA	ITB	Interworld Highway, LLC	\$ 64,749.38	NA

SCHEDULE XI

<b><i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i></b>	<b><i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i></b>	<b><i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i></b>	<b><i>Brief Description of the Scope of Work</i></b>
NA	Y	N	Roof & HVAC System Replacement
Touchboards, an Interworld Highway, LLC, 205 Westwood Ave., Long Branch, NJ 07740	N	N	Video Recording Equipment

## AGENCY FUNDS

AGENCY FUND--To account for assets held by the College in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

COMBINING SCHEDULE OF CHANGES IN ACCOUNT BALANCES -- AGENCY FUND

FOR THE YEAR ENDED JUNE 30, 2015

	Balance 6/30/2014	Additions	Deductions	Balance 6/30/2015
Auto tech club	\$ 1,529	\$ 2	\$ -	\$ 1,531
Astronomy club	198	-	-	198
Checkmate chess club	424	272	15	681
Chi Alpha	447	1	-	448
Diesel club	874	1	-	875
Skills USA club	348	1	-	349
Hot meal club	2,438	2	-	2,440
Life savers club	452	1	-	453
Livestock judging	414	2	-	416
Natural Science club	219	-	-	219
Native American club	-	884	407	477
Peer mentoring	391	-	-	391
Phi Theta Kappa	1,237	1,002	693	1,546
Rodeo club	9,418	13,319	10,281	12,456
Farrier SHOE club	9,593	1,354	225	10,722
SIFE	1,128	144	-	1,272
Spanish club	812	-	-	812
Student senate	173	364	-	537
Tucumcari softball club	-	-	-	-
M.E.S.A.	294	1	-	295
Fossil friends	-	-	-	-
Employee office fund	455	2,717	618	2,554
GED Club	105	1	-	106
TOTAL	<u>\$ 31,417</u>	<u>\$ 20,069</u>	<u>\$ 12,240</u>	<u>\$ 39,246</u>

The accompanying notes are an integral part of these financial statements

## FEDERAL AWARDS SECTION



# Woodard, Cowen & Co.

Certified Public Accountants

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

Timothy Keller  
New Mexico State Auditor  
and Board Members  
Mesalands Community College  
Tucumcari, 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 of Mesalands Community College as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Mesalands Community College's basic financial statements, and the related budgetary comparisons of Mesalands Community College, presented as supplementary information, and have issued our report thereon dated October 29, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mesalands Community 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 Mesalands Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Mesalands Community 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency identified as item 2012-001.

Portales: 305 S. Avenue B or PO Box 445, Portales NM 88130 – Phone 575-356-8564 Fax 575-356-2453  
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### Compliance and Other Matters

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

### Mesalands Community College's Responses to Findings

The Mesalands Community College's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Mesalands Community College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

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

Clovis, New Mexico  
October 29, 2015

# Woodard, Cowen & Co.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Timothy Keller  
New Mexico State Auditor  
The Board of Trustees of  
Mesalands Community College  
Tucumcari, New Mexico

## Report on Compliance for Each Major Federal Program

We have audited Mesalands Community College's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Mesalands Community College's major federal programs for the year ended June 30, 2015. Mesalands Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

## Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

## Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mesalands Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mesalands Community College's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

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### Opinion on Each Major Federal Program

In our opinion, Mesalands Community College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### Report on Internal Control Over Compliance

The management of Mesalands Community 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 Mesalands Community College's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mesalands Community College's internal control over compliance.

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

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

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

Clovis, New Mexico  
October 29, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass through Grantor/Program Title	Federal CFDA #	Program or Grantor Number	Program Award	Program Expenditures
<b>US DEPARTMENT OF EDUCATION</b>				
Direct programs				
Student Financial Aid Cluster				
Pell grant program	84.063	P063P005217	\$ 628,466	\$ 628,466
Federal Work Study Program	84.033	P003A008469	24,891	24,891
Federal SEOG Program	84.007	P007A008469	19,747	19,747
<b>TOTAL DIRECT GRANTS</b>				<u>673,104</u>
Passed through the State Department of Higher Education				
Adult Basic Education	84.002	SPE499888	52,375	44,633
<1>Higher Education Institutional Aid	84.031	PO31C110036	808,671	798,345
<b>TOTAL PASSTHROUGH GRANTS</b>				<u>842,978</u>
<b>TOTAL DEPARTMENT OF EDUCATION</b>				<u>1,516,082</u>
<b>SMALL BUSINESS ADMINISTRATION</b>				
Small Business Development Center	59.037	7620003212	21,689	21,689
<b>TOTAL SMALL BUSINESS ADMINISTRATION</b>				<u>21,689</u>
<b>US DEPARTMENT OF LABOR</b>				
Passed through the NM Skill-Up Network Consortium				
Integrated Basic Education Skills Training	17.282	TC225501160A35	272,782	28,218
<b>TOTAL US DEPARTMENT OF LABOR</b>				<u>28,218</u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>				<u>\$ 1,565,989</u>

<1> Major Program

Note 1 - This schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

Note 2 - The College had no non-cash assistance, insurance loans or loan guarantees during the year.

Note 3 - The College does not participate in Federal Loan Programs

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Report on Financial Statements	Unmodified
Significant Deficiencies on GAGAS	2012-001
Other matters required to be reported	2015-001
Material noncompliance	None
Questioned Cost	None
Type A & B dollar threshold	\$ 300,000
Entity Risk	High Risk
Major Federal Programs	Higher Education Institutional Aid CFDA#84.031
Significant Deficiencies on Internal Control over Major Programs	None
Material Weaknesses	None
Report on Compliance with Major Programs	Unmodified
Findings reportable under 510(a) of Circular A-133	None

SECTION II – FINANCIAL STATEMENT FINDINGS

<u>Prior Year Findings –</u>	<u>Status</u>
2014-001 Activity Deposits	Resolved
2011-003 Internal Review Process	Resolved
2012-001 Expenditures	Revised and Repeated
2012-002 Payroll Liabilities	Resolved
2013-003 Implementation of Software	Resolved
2013-004 Oversight of the Accounting Department	Resolved
2013-005 Late Federal Report	Resolved

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Current Year Findings –

Compliance

2015-001 Overspent Budget (Other)

Condition: Expenditures exceeded the approved budget amounts in the unrestricted instruction and general funds as follows:

Intercollegiate Athletics	\$ 18,828
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Criteria: Any funds expended by the College shall have an approved budget for the expenditure per Chapter 22 Article 8 NMSA 1978.

Cause: The overspent budget was not recognized by the Director until it was past the date that a BAR could get through the process to be approved.

Effect: Violation of state statutes regarding expenditures could result in a loss of future funding or repayment of funding already received.

Recommendation: The College should implement procedures to ensure that budgets in all funds are monitored monthly to prevent errors and oversights from occurring.

Response: The College concurs with the recommendation and the Director of Business Services is in the process of developing additional procedures to help prevent these type of errors. The College expects these procedures to be in place before the end of the year.

Internal Control

2012-001 (2012-1) Expenditures (significant deficiency)

Condition: 24 of 106 of the expenditures tested that amounted to \$256,519 of the total of \$961,936 or 27% had internal control violations of the purchase orders being issued after the invoice date. The College has worked diligently to improve the processes in the business office and are continuing to review and change procedures as needed.

Cause: Many of purchase orders were for several vendors who were under contract for work which was being billed as the work was completed. The College would receive the invoice and not have a purchase order in place, even though the goods or services were approved appropriately.

Effect: Failure to use purchase orders properly could cause over-expenditure of approved budget, which is a violation of state law.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS, continued

Internal Control, continued

2012-001 (2012-1) Expenditures (other)

Recommendation: Adhere to policies and procedures as outlined by the board of trustees and the state procurement code. Additional training of staff and review of the process should be implemented. It is also recommended that more open purchase orders are used when purchases are tied to contracted services.

Response: The College will provide additional training to personnel and implement a review process to ensure that the College staff adheres to the policies regarding procurement. The Director of Business Services is currently working on new procedures and have made changes in staffing and management duties to help resolve these issues. We will also be developing procedures for using open purchase orders when the circumstances may dictate their use. We expect these procedures and the use of open purchase orders to be in place before December 31, 2015.



STATE OF NEW MEXICO  
MESALANDS COMMUNITY COLLEGE

OTHER INFORMATION

JUNE 30, 2015

PREPARATION OF FINANCIAL STATEMENTS

The College prepared accrual basis financial information in the form of trial balances and budgets. They also provided the necessary information to change the foot notes from the prior year. Although it would be preferred and desirable for the College to prepare its own GAAP-basis financial statements, it is felt that the College's personnel don't have the time to prepare them in the appropriate reporting format. Therefore, the outside auditor prepared the GAAP-basis financial statements and updated the footnotes for inclusion in the annual audit report and the College provided knowledgeable staff for input and review. All services were in compliance with SAS 115.

EXIT CONFERENCE

An exit conference was held on October 29, 2015. Present were J. Bronson Moore, Board Chair, James P. Streetman, Board Secretary, Dr. Thomas W. Newsom, President, Amanda Hammer, Director of Business and Auxiliary Services, John Rush, Business Manager and D. Brent Woodard, CPA.