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STATE OF NEW MEXICO
MESALANDS COMMUNITY COLLEGE

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2019

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

CONTENTS

SUPPLEMENTARY INFORMATION

OFFICIAL ROSTER

ATKINSON & CO. LTD
6501 AMERICAS PARKWAY NE , SUITE 700, ALBUQUERQUE, NM 87110
PO BOX 25246, ALBUQUERQUE, NM 87125
T 505 843 6492 F 505 843 6817 ATKINSONCPA.COM

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Mesalands Community College
Tucumcari, New Mexico
and
Mr. Brian Colón
New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary fund of Mesalands Community College (the College) as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the College's basic financial statements as listed in the table of contents. We also have audited the budget comparisons presented as supplemental information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2019, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary fund of Mesalands Community College as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note A, the financial statements of the College are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities that are attributable to the transactions of the College. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2019, and the changes in its financial position and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-10 and pension and other postemployment benefit schedules and related notes on pages 46-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedules of pledged collateral, combining schedule of changes in account balances – agency fund, and multiple-year capital projects funded by general obligation revenue bond and severance tax bond capital outlay appropriations from the state required by 2.2.2. NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other schedules required by 2.2.2. NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules referred to above and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Atkinson & Co., Ltd.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2019

The following discussion and analysis provide an overview of the financial position and activities of Mesalands Community College (MCC or the College) for the year ended June 30, 2019. This discussion should be read along with the accompanying financial statements and footnotes included therein. Management assisted Atkinson & Co., Ltd. in the preparation of the basic financial statements and related note disclosures and has prepared this discussion and analysis.

This management's discussion and analysis (MD&A) only includes financial information for fiscal year 2019.

Using Basic Financial Statements

The Statement of Net Position presents the assets, liabilities, net assets and deferred outflows and deferred inflows of the College as of the end of the fiscal year 2019. It is a point-in-time financial statement, the purpose of which is to give the readers a fiscal snapshot of the condition of Mesalands Community College. The statement presents end-of-year data concerning current and non-current assets, current and non-current liabilities, and net assets.

Change in total assets as presented in the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP). The purpose of the SRECNP is to present the revenue received by the College as well as expenses, gains, and losses received or incurred by the College.

The Statement of Cash Flows presents the inflows and outflows of cash, summarized by operating, capital, financing, and investing activities. The statement is prepared using the direct method of cash flows, presenting gross amounts for the year's activities.

Financial Highlights

Net Position decreased by $2,517,831 in 2019 over net position in 2018. The decrease is primarily due to the increase of pension and other post-employment benefits liabilities.

Total assets for 2019 were decreased by $604,200 over total assets in 2018. The decrease is largely related to net decrease in capital assets.

Total revenues in fiscal year 2019 were $7,463,662 as compared to $7,466,145 in fiscal year 2018. State appropriations account for the largest source of revenue at $4,129,000. During 2019, grants and contracts generated revenues of $1,411,579. In 2019, student tuition and fee revenue decreased by $12,126 as compared to 2018.

Deferred Outflows in 2019 decreased by $793,013, while Deferred Inflows increased by $204,630. Both of these changes were influenced by pension and other post-employment benefit related entries.

Reporting Entity

This financial report presents the basic financial statements and the budgetary comparison of the College.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

Year Ended June 30, 2019

The following table summarizes the College's assets, deferred outflows, liabilities, deferred inflows, and net position as of:

	Balance June 30, 2019	Balance June 30, 2018	Difference	% Change
Current assets	$ 4,886,330	$ 5,006,726	$ (120,396)	-2.4%
Capital assets, net	18,954,123	19,485,373	(531,250)	-2.7%
Assets held by others	1,103,790	1,056,344	47,446	4.5%
Total Assets	24,944,243	25,548,443	(604,200)	-2.4%
Deferred Outflows	3,041,067	3,834,080	(793,013)	-20.7%
Total Assets and Deferred Outflows	$ 27,985,310	$ 29,382,523	$ (1,397,213)	-4.8%
Current Liabilities	$ 763,807	$ 556,816	$ 206,991	37.2%
Non-Current Liabilities	15,654,065	14,945,068	708,997	4.7%
Total Liabilities	16,417,872	15,501,884	915,988	5.9%
Deferred Inflows	1,102,218	897,588	204,630	22.8%
Net Position				
Net investment in capital assets	18,954,123	19,383,815	(429,692)	-2.2%
Restricted net position	1,103,790	1,056,344	47,446	4.5%
Unrestricted net position	(9,592,693)	(7,457,108)	(2,135,585)	28.6%
Total Net Position	10,465,220	12,983,051	(2,517,831)	-19.4%
Total Liabilities, Deferred Inflows and Net Position	$ 27,985,310	$ 29,382,523	$ (1,397,213)	-4.8%

Current assets include cash and other assets that are deemed to be consumed or convertible to cash within one year. Cash and cash equivalents as of June 30, 2019, equal $3,233,912, which make up a major share of the College's current assets.

Current liabilities are generally defined as amounts due within one year, and include accounts payable, payroll accruals, and accrued vacation. Current liabilities for 2018 were $763,801.

Non-current assets, capital assets, net of accumulation of depreciation, for 2019 were $18,954,023. The capital assets decrease was due to depreciation expense for the year and disposition of retired assets.

For fiscal year 2019 the College has debt in the amount of $88,776 which consists of a 0% interest loan from the Office of the Governor of New Mexico that was initiated on October 5, 2011, with a term of 13 years. The current principal payment of the loan is in the amount of $12,782 per year.

Net Position

There was a significant decrease in Net Position due to an increase in pension liability.

Condensed Summary of Revenue, Expenses, and Changes in Net Position

	June 30, 2019	June 30, 2018	Difference	%
Operating Revenue	$ 2,703,437	$ 2,595,040	$ 108,397	4.2%
Operating Expense	9,981,493	9,267,755	713,738	7.7%
Operating Loss	(7,278,056)	(6,672,715)	(605,341)	9.1%
Non-Operating Revenue	4,441,838	4,409,303	32,535	0.7%
Loss before other revenues and capital items	(2,836,218)	(2,263,412)	(572,806)	25.3%
Other revenues and capital items	318,387	461,802	(143,415)	-31.1%
Increase (Decrease) in net position	$ (2,517,831)	$ (1,801,610)	$ (716,221)	39.8%

Revenues in the reporting model are shown by source of funding. Operating revenues are generally defined as exchange transactions that are produced in the primary functions of the College, including instruction, public service, and auxiliary services. Non-operating revenues are generally defined as non-exchange transactions and include state appropriations, local tax levy, gifts, and interest income. Classified as non-operating revenue, state appropriations account for the majority of the College's revenue and provide much-needed support for the operation of the College.

Operating expenses for Mesalands Community College are presented in a functional format showing the major functions of the College, with expenses for instruction and for the support of instruction representing the majority of expenditures.

Total net assets (assets minus liabilities) are classified by the College's ability to use those assets to meet operating needs. Net assets that are restricted as to their use by the sponsoring agencies or donors are classified as non-expendable (for example permanent endowments) or expendable (contract or grant net assets). Unrestricted net assets may be used to meet all operating needs of the College.

General Budgetary Highlights

The College made budget modifications during the fiscal year which were recorded through Board of Trustees approved Budget Adjustment Requests (BARs).

Factors Impacting Future Periods

The College has experienced enrollment growth over the last four academic years. We anticipate that growth in expenses may outpace revenue growth because of non-tuition paying students (dual enrollment and correctional) and decreases in state appropriation due to legislative action. The College projects this climate to continue and is working to implement actionable items to increase enrollment and establish ourselves as a residential college.

Requests for Information

Questions concerning any of the financial information provided in this report or requests for additional information should be addressed to Amanda Hammer, Vice President for Administrative Affairs, Mesalands Community College, 911 South Tenth Street, Tucumcari, New Mexico 88401.

State of New Mexico
Mesalands Community College

STATEMENT OF NET POSITION

June 30, 2019

ASSETS	
Current assets	
Cash and cash equivalents	$ 3,233,912
Student accounts receivable, net of allowance	
for doubtful accounts of $123,064	150,412
Due from grantors	225,791
Due from other agencies	111,418
Short-term investments	953,017
Inventories	193,286
Prepaid expenses	18,494
Total current assets	4,886,330
Noncurrent assets	
Capital assets, net	18,954,123
Assets held by others	1,103,790
Total noncurrent assets	20,057,913
Total assets	24,944,243
DEFERRED OUTFLOWS OF RESOURCES	
Pension	2,962,984
Other postemployment benefits	78,083
Total deferred outflows of resources	3,041,067

The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION – CONTINUED

June 30, 2019

LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	$ 584,106
Student deposits	9,725
Unearned revenue	37,934
Compensated absences, current portion	119,260
Note payable, current portion	12,782
Total current liabilities	763,807
Noncurrent liabilities	
Compensated absences, less current portion	146,836
Note payable, less current portion	75,994
Net pension liability	12,295,636
Net other postemployment benefits liability	3,135,599
Total non-current liabilities	15,654,065
Total liabilities	16,417,872
DEFERRED INFLOWS OF RESOURCES	
Pension	242,037
Appropriation	50,000
Other postemployment benefits	810,181
Total deferred inflows of resources	1,102,218
NET POSITION	
Net investment in capital assets	18,954,123
Restricted for nonexpendable endowments	1,103,790
Unrestricted	
Nonexpendable prepaid expenses and inventories	211,780
Expendable (deficit)	(9,804,473)
Total net position	$ 10,465,220

State of New Mexico
Mesalands Community College

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2019

OPERATING REVENUES		
Federal grants and contracts	$	1,067,742
Student tuition and fees		859,816
State and local grants and contracts		343,837
Sales and services of auxiliary enterprises		349,084
Other operating revenues		82,958
Total operating revenues		2,703,437
OPERATING EXPENSES		
Instruction and general		
Instruction		2,078,382
Institutional support		1,041,625
Student services		655,441
Operations and maintenance of plant		624,700
Academic support		592,524
Pension expense		2,153,777
Student aid, grants and stipends		1,226,915
Depreciation		852,216
Auxiliary enterprises		331,709
Public Service		171,681
Intercollegiate athletics		136,940
Renewals and replacements		86,747
Bad debt expense		15,206
Internal services		14,583
Other postemployment benefits expense		(953)
Total operating expenses		9,981,493
Operating loss		(7,278,056)

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – CONTINUED

Year Ended June 30, 2019

NONOPERATING REVENUES	
State appropriations	$ 4,129,000
Local taxes	289,680
Interest and other investment income	23,158
Total nonoperating revenues	4,441,838
Loss before other revenues and capital items	(2,836,218)
OTHER REVENUES AND CAPITAL ITEMS	
Capital appropriations from state issued bonds	153,121
Additions to permanent endowments	47,445
Contributions	117,821
Total other revenues and capital items	318,387
Change in net position	(2,517,831)
Net position, beginning of year	12,983,051
Net position, end of year	$ 10,465,220

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Mesalands Community College

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from grants and contracts	$ 1,864,406
Receipts from student tuition and fees	818,912
Receipts from sales and services of auxiliary enterprises	343,837
Other receipts	82,958
Payments to or on behalf of employees	(3,554,187)
Payment to suppliers for goods and services	(3,623,491)
Net cash used by operating activities	(4,067,565)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	4,129,000
Property tax revenues	289,680
Contributions	117,821
Additions to endowments	47,445
Net cash provided by noncapital financing activities	4,583,946
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(315,417)
Capital appropriations from state issued bonds	141,163
Repayments of notes payable	(12,782)
Net cash used by capital and related financing activities	(187,036)
CASH FLOWS FROM INVESTING ACTIVITIES	
Net purchases of short-term investments	(11,961)
Purchases of investments held by others	(47,446)
Investment earnings	23,158
Net cash used by investing activities	(36,249)
Increase in cash and cash equivalents	293,096
Cash and cash equivalents, beginning of year	2,940,816
Cash and cash equivalents, end of year	$ 3,233,912

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Mesalands Community College

STATEMENT OF CASH FLOWS – CONTINUED

Year Ended June 30, 2019

Increase (Decrease) in Cash and Cash Equivalents

Reconciliation of net operating loss to net cash used by operating activities	
Operating loss	$ (7,278,056)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	852,216
Net pension expense	2,153,777
Net OPEB expense	(953)
Deferred employer pension contributions	(407,044)
Deferred OPEB contributions	(63,267)
Deferred state appropriation	50,000
Bad debt expense	15,206
Miscellaneous	(5,549)
Changes in assets and liabilities	
Student accounts receivable	(31,461)
Due from grantors	447,580
Inventories	537
Prepaid expenses	-
Accounts payable and accrued expenses	214,320
Student deposits	(80)
Unearned revenue	(9,363)
Compensated absences	(10,977)
Net cash used by operating activities	$ (4,073,114)

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Mesalands Community College

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS

June 30, 2019

ASSETS	
Cash on deposit	$ 42,435
Total Assets	$ 42,435
LIABILITIES	
Due to student groups	$ 42,435
Total Liabilities	$ 42,435

The accompanying notes are an integral part of this financial statement.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

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 in Business Administration and Computer Information Systems. 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 College 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 (NCA), 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, Mesa 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Organization – 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.

2. Basis of Presentation

The College presents its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB).

In evaluating how to define the College for financial reporting purposes, management has evaluated the College's potential component units. The basic, but not the only, criterion for including a potential component unit as part of the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestations of this ability include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of the criterion involves considering whether the activity benefits the College. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing or fiduciary relationships, regardless of whether the College is able to exercise oversight responsibilities. As required by U.S. GAAP, these basic financial statements present only the activities of the College. The College has no component units.

3. 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 accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Government Accounting Standards Board (GASB) and the Higher Education Department's Financial Reporting for Public Institutions in New Mexico.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Estimates

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.

5. Budgetary Basis and Control

The Board adopts an annual budget for the current unrestricted and restricted funds that are prepared by the administration and approved by the Board, the New Mexico Higher Education Department, 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) NM Higher Education Department, and (4) State Department of Finance and Administration.

The College follows the requirements established by the New Mexico Higher Education Department (HED) in formulating its budgets and in exercising budgetary control. It is through the HED's policy that, when an appropriation has been made to the College, its Board of Trustees can, in general, adopt an operating budget within the limits of available income. Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year, and are available for use by the College in subsequent years, per the General Appropriation Act.

Under Title 5 of the New Mexico Administrative Code, Chapter 3, Part 4, Paragraph 10 – Items of Budgetary Control, total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary basis are as follows: (1) unrestricted and restricted expenditures are considered separately; (2) total expenditures in instruction and general; (3) total expenditures of each budget function in current funds other than instruction and general; (4) within the plant funds budget, the items of budgetary control are major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service; and (5) each individual item of transfer between funds and/or functions. Budget revisions must be approved by the Executive Secretary of the New Mexico Department of Higher Education and then by the Budget Division of the Department of Finance and Administration.

6. Cash and Cash Equivalents

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Investments

Investments are made in accordance with the Constitution of the State of New Mexico and the policies of the Board of Trustees. Investments consist of nonnegotiable certificates of deposit and mature within one year and are therefore exempt from the provisions of GASB 72, *Fair Value Measurement and Application*.

8. Accounts Receivable

The College records student accounts receivable at the time a student registers for classes. A provision for uncollectible student accounts is recorded to maintain an adequate allowance for anticipated losses. The allowance for doubtful accounts includes consideration for the credit risk associated with the various receivables.

Accounts receivable also include amounts due from the Federal government and state and local governments in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. There were no accounts receivable due from the Federal or state and local governments deemed to be uncollectible.

9. Inventories

Inventories, consisting mainly of items held for resale, are valued at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis.

10. Assets Held by Others

Assets held by others consist of the College's endowment funds which are held at and invested by the Mesalands Community College Foundation. Investment income and other additions to endowment corpus are recorded as additions to endowments in the statement of revenues, expenses, and changes in net position.

11. 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Capital Assets – Continued

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

	Life in Years
Buildings and improvements	50
Land improvements	20
Leasehold improvements	10
Library books	10
Equipment	5-12

12. Income Tax Status

The College, as an instrumentality of the State of New Mexico, is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Contributions to the College are deductible by donors as provided under Section 170 of the Internal Revenue Code. During 2019, there was no unrelated business income received by the College.

13. Compensated Absences

The College accounts for the accumulated vacation leave on the accrual basis. At the time of separation, eligible employees are paid for annual leave accrued, but not used up to the maximum allowable accrual for such employee. If an employee has completed at least one full year of employment at the College at the time of separation, they will receive one-third of the accumulated, unused sick leave the employee has accrued.

14. Unearned Revenue

Revenue for each academic session is reported within the fiscal year during which the instruction occurs. A portion of revenues for the summer session starting in May 2019 are shown as unearned revenue in the accompanying financial statements since the session was not completed at June 30, 2019.

Other unearned revenue consists of unexpended contributions for scholarships where the eligibility requirements have not yet been met.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

15. Net Position

The College’s net position is classified as follows:

Net Investment in Capital Assets represents the College's total investment in capital assets less accumulated depreciation and 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 net investment in capital assets. There are no unexpended debt proceeds as of June 30, 2019.

Nonexpendable Restricted Net Position represents 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 nonexpendable net position consists of endowment 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. This classification contains $78,000 of net position restricted by enabling legislation.

Nonexpendable Unrestricted Net Position consists of inventories and prepaid expenses which are not in spendable form.

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 is to first apply the expense toward restricted resources, and then toward unrestricted resources.

16. Revenues and Revenue Recognition

Revenues are classified as operating or nonoperating 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; b) sales and services; and c) contracts and grants. Grant revenues are recognized when all eligibility requirements have been met.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as a) appropriations and state issued bond proceeds; b) property taxes; c) investment income; and d) contributions and gifts. The College reports all revenues received from derived tax revenues or imposed nonexchange revenues according to requirements of GASB 33 and 34.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

16. Revenues and Revenue Recognition – Continued

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 revenue in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, other student charges, and auxiliary enterprise charges the College has recorded a scholarship allowance.

The College engages in federal and state grant programs commonly referred to as “reimbursement type” programs. These programs require that the recipient (the College) must incur allowable costs as defined by the agreement types in order to draw down funds against the particular project. This is the principal eligibility requirement for the recognition of the revenue. Grant revenues are recognized when the underlying exchange transaction has occurred – that is when all eligibility requirements have been met. Upon incurring an allowable cost, the College simultaneously recognizes a receivable and revenue in the amount of the expenditures incurred. All other eligibility requirements or grants, as applicable, must also be satisfied.

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 in subsequent years.

The College periodically receives severance tax and general obligation bond appropriations for capital asset projects on the campus. Bond revenue from these appropriations is recorded only when eligibility requirements have been met. The eligibility requirements for capital projects financed by bonds are satisfied when all required documentation to support a drawdown of a bond fund is submitted and approved by the Board of Finance.

17. Classification of Expenses

The College has classified its expenses as either operating or non-operating expenses according to the following criteria:

Operating expenses: Operating expenses include activities that have the characteristics of exchange transactions, such as (1) employee salaries, benefits, and related expenses; (2) utilities, supplies, and other services; (3) professional fees; (4) depreciation expenses related to property, plant, and equipment, and (5) pension costs.

Non-operating expenses: Non-operating expenses include activities that have the characteristics of non-exchange transactions that are consistently applied as non-operating expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 34.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

18. Agency Funds

Agency funds are used to account for resources the College holds for others. The College maintains cash accounts for several student clubs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of funds. The College is responsible for seeing that the assets in these funds are spent for their intended purpose. The finances of these funds are reported in a separate statement of fiduciary net position. The resources of these funds are excluded from the business-type activity financial statements because they cannot be used to finance the College's operations.

19. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico 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. See Note H.

20. Postemployment Benefits Other Than Pensions (OPEB)

The College implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* effective July 1, 2017. As a result, the College reported its pro rata share of unfunded liabilities for its postemployment health benefit participation in the New Mexico Retiree Health Care Authority's multi-employer cost sharing plan. See Note J.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms.

21. Subsequent Events

Subsequent events have been evaluated through October 31, 2019, the date at which the financials were available to be issued. Management believes there are no material subsequent events that have arisen that would require adjustment or disclosure.

NOTE B – CASH AND INVESTMENTS

1. Cash

Cash and cash equivalents include cash on hand and cash in banks with various financial institutions. 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.

A detail of the cash accounts at June 30, 2019, is included below:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Reconciled Balance
First National Bank of New Mexico	General	Deposit	$ 1,925,678	$ (51,486)	$ 1,874,192
First National Bank of New Mexico	Payroll	Deposit	2,879	(321)	2,558
First National Bank of New Mexico	Travel	Deposit	985	-	985
Wells Fargo	General	Deposit	1,341,738	13,168	1,354,906
Everyone's Federal Credit Union	Agency	Share Draft	42,435	-	42,435
			3,313,715	(38,639)	3,275,076
	Petty Cash	N/A	-	-	1,271
	Less: Agency fund cash	N/A	(42,435)	-	(42,435)
			$ 3,271,280	$ (38,639)	$ 3,233,912

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk. As of June 30, 2019, the College's custodial credit risk was as follows:

Total deposits all banks	$ 3,271,280
Less: FDIC or NCUA coverage	500,000
Uninsured public funds	2,771,280
50% collateral required	1,385,148
Pledged collateral held by pledging banks' agents in the name of the College	2,772,807
Uninsured and un-collateralized	$ -

NOTE B – CASH AND INVESTMENTS – CONTINUED

2. Investments

Investments of the College consist of the following at June 30, 2019:

Name of Institution	Investment type	Balance per Custodian Statement	Reconciled Balance per Books
Tucumcari Federal Savings and Loan	Certificates of Deposit	$ 246,611	$ 246,613
Quay Schools Federal Credit Union	Certificates of Deposit	243,593	242,681
Everyone's Federal Credit Union	Certificates of Deposit	220,296	220,296
Citizens Bank	Certificates of Deposit	243,427	243,427
		$ 953,927	$ 953,017

Custodial credit risk is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The College does not have custodial credit risk policies for investments and does not have investments subject to custodial credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The College does not have a formal policy to limit its exposure to interest rate risk and does not have investments subject to interest rate risk.

NOTE C – ACCOUNTS RECEIVABLE AND DUE FROM GRANTORS AND OTHER AGENCIES

The College's accounts receivable at June 30, 2019, consists of the following:

	Gross	Allowance for Doubtful Accounts	Net
Student tuition and fees	$ 273,476	$ 123,064	$ 150,412
Grants receivable	225,791	-	225,791
State GO/STB bond receivable	111,418	-	111,418
Total accounts receivable	$ 610,685	$ 123,064	$ 487,621

NOTE D – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Land	822,495	25,777	-	-	848,272
Museum collection	1,149,816	-	4,000	-	1,145,816
Construction in progress	-	111,418	-	-	111,418
Total assets not being depreciated	1,972,311	137,195	4,000	-	2,105,506
Leasehold improvements	22,373	-	-	-	22,373
Library books	261,921	323	-	-	262,244
Buildings	20,291,591	53,686	57,279	-	20,287,998
Equipment	6,164,955	133,905	444,120	-	5,854,740
Total depreciable assets	26,740,840	187,914	501,399	-	26,427,355
Total capital assets	28,713,151	325,109	505,399	-	28,532,861
Accumulated Depreciation					
Leasehold improvements	22,373	-	-	-	22,373
Library books	197,977	5,580	-	-	203,557
Buildings and improvements	4,915,962	546,946	-	-	5,462,908
Equipment	4,091,466	299,690	501,256	-	3,889,900
Total accumulated depreciation	9,227,778	852,216	501,256	-	9,578,738
Capital assets, net	19,485,373	(527,107)	4,143	-	18,954,123

NOTE E – COMPENSATED ABSENCES PAYABLE

Compensated absences activity for the year ended June 30, 2019, is as follows:

	June 30, 2018	Additions	Reductions	June 30, 2019	Amounts Due in One Year
Total compensated absences	$ 277,073	$ 146,836	$ (157,813)	$ 266,096	$ 119,260

NOTE F – OPERATING LEASES

The College is obligated under certain lease (rental) agreements, which are accounted for as operating leases. Incorporated in each lease agreement is a fiscal funding clause, which allows the College to cancel the operating lease if funding for future periods is not appropriated. The likelihood of such an occurrence is considered to be remote by the College. Total lease expense for the year ended June 30, 2019 was $143,102.

NOTE F – OPERATING LEASES – CONTINUED

The College entered into several annual lease agreements for land and equipment with Mesalands Community College Foundation, Inc. (a related party) which began July 1, 2018, and ended June 30, 2019. Monthly payments under these leases amount to $2,500 and are subject to annual renewal.

The College entered into a two-year lease in June 2017, for an apartment building that it intends to utilize for student housing. Lease payments are made at a rate of $6,750 per month. Mesalands charges students for occupying these units.

Future minimum lease payments are as follows for the years ending June 30:

2020	$ 129,382
2021	84,064
2022	81,000
2023	6,750
Total	$ 301,196

NOTE G – LONG-TERM DEBT

On October 5, 2011, the College received an emergency loan from the New Mexico Board of Finance. The proceeds of the loan were used to make repairs to the roof of the main building on campus. The loan is noninterest 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.

Annual debt service requirements for the College's note payable to maturity are as follows for the years ending June 30:

2020	$ 12,782
2021	12,782
2022	12,782
2023	12,782
2024	12,782
2025	24,866
Total	$ 88,776

NOTE H – DEFINED BENEFIT RETIREMENT PLAN

Plan Description

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

The Plan is considered a component unit of the State of New Mexico's financial reporting entity. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan which is a pension benefit trust fund of the State of New Mexico.

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

NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico. All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined by Section 22-11- 2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

Benefits Provided

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

Summary of Plan Provisions for Retirement Eligibility
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.

NOTE H – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

Benefits Provided – Continued

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010, and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010, refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

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

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

All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3). Tier 1 membership is comprised of employees who became members prior to July 1, 2010, tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013, and tier 3 membership is comprised of employees who became members on or after July 1, 2013. As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is 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%. 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%.

NOTE H – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

Benefits Provided – Continued

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement. A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times years 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.

Members may withdraw their contributions only when they terminate covered employment in the State and their former employer(s) certification determination has been received by NMERB. Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

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, 2019, employers contributed 13.9% of employees' gross annual salary to the Plan. Employees earning $20,000 or less contributed 7.90% and employees earning more than $20,000 contributed 10.70% of their gross annual salary. The College's contributions to the defined benefit plan were $407,044 for the year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The total Plan pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2018. The total Plan pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2018. At June 30, 2019, the College reported a liability of $12,295,638 for its proportionate share of the net pension liability. The College's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2018. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2018, the College's proportion was .10340%, which was an increase of 0.0048% from its proportion measured as of June 30, 2017.

NOTE H – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

For the year ended June 30, 2019, the College recognized pension expense of $2,153,777. Pension expense as reported in the Statement of Revenues, Expenses, and Changes in Net Position consists of the amount above less the reversal of the prior year's contributions subsequent to the measurement date and adjustments related to differences between prior year Plan schedules and the College's financial statements. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	$ -	$ 225,032
Changes in assumptions	2,534,072	-
Net difference between projected and actual earnings on pension plan investments	27,219	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	-	17,005
The College's contributions subsequent to the measurement date	401,693	-
Total	$ 2,962,984	$ 242,037

$407,044 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date of June 30, 2018, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized in pension expense as follows:

Year Ended June 30:	
2019	$ 1,456,132
2020	873,637
2021	(10,873)
2022	358
	$ 2,319,254

NOTE H – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	Composed of 2.50% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.25%
Single Discount Rate	5.69%
Retirement Age	Experience based table of rates based on age and service. Adopted by NMERB on April 21, 2017, in conjunction with the six-year experience study for the period ended June 30, 2016.
Mortality	Healthy Males – RP-2000 Combined Mortality Table with white collar adjustments, generational mortality improvements with Scale BB from the table's base year of 2000.
	Healthy Females – GRS Southwest Region Teacher Mortality Tables, set back one year, generational mortality improvements in accordance with scale BB from the table's base year of 2012.

NOTE H – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

Actuarial Assumptions – Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Schedule of Asset Allocation Versus Policy Targets

	Allocation	Policy Target
Equities		
Domestic Equities		
Large cap equities	17%	16%
Small-mid cap equities	3%	3%
Total domestic equities	20%	19%
International Equities		
Developed	5%	5%
Emerging markets	9%	9%
Total international equities	14%	14%
Fixed Income		
Core fixed income	7%	6%
Opportunistic credit	18%	18%
Emerging markets credit	2%	2%
Total fixed income	27%	26%
Alternatives		
Global asset allocation	5%	4%
Risk parity	5%	3%
Real Estate/REITS	2%	7%
Private equity	13%	13%
Real assets	7%	8%
Other	6%	5%
Total alternatives	38%	40%
Cash	1%	1%
Total	100%	100%

NOTE H – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

Discount Rate

A single discount rate of 5.90% was used to measure the total Plan pension liability as of June 30, 2017. This single discount rate was based on the expected rate of return on pension plan investments of 7.25%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to State of New Mexico projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date. 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), Plan'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 5.69 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 (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate.

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
College's proportionate share of the net pension liability	$ 15,979,618	$ 12,295,638	$ 9,289,737

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued audited financial statements as of and for the year ending June 30, 2018, which is publicly available at www.nmerb.org.

Funding Policy

The contribution requirements of plan members and the College are established in state statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The College's contributions to the Plan (which include contributions related to the Alternative Retirement Plan) for fiscal years ending June 30, 2019, 2018, and 2017 were $407,044, $406,918 and $401,603, respectively, which is equal to the amount of the required contributions for each fiscal year.

NOTE H – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

Payables to the Pension Plan

At June 30, 2019, the College had $62,614 payable to the Plan for the most recent pay period's employer and employee contributions.

NOTE I – DEFINED CONTRIBUTION RETIREMENT PLAN

Effective October 1991, the New Mexico legislature established an Alternative Retirement Plan (ARP) through the enactment of ERA Sections 22-11-47 through 52 NMSA 1978 to provide eligible employees an election to establish an alternative retirement investment plan. In contrast to the defined benefit plan administered by ERB, the ARP is a defined contribution plan. ERB is the trustee of the ARP which is administered by two third-party contractors for NMERB. The administrators approved to offer ARP plans to eligible participants are Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments.

These administrators have the authority to perform record keeping, enrollment education services, and other administrative duties for the ARP. The administrators are delegated any and all powers as may be necessary or advisable to discharge their duties under the ARP and have certain discretionary authority to decide matters under the ARP. As the ARP trustee, ERB is responsible for selecting investment options that provide a prudent rate of return, and to ensure that all investments, amounts, property, and rights under the executed Plan-Trust are held for the exclusive benefit of Plan participants and their beneficiaries, as defined in the Plan Document.

Faculty and professional employees of New Mexico public universities and community colleges have the option of participating in the ARP. They can opt to participate in either ERB's Defined Benefit Plan or ARP during the first 90 days of employment if they are in an eligible position. Information about the ARP is distributed by the employer. Those who do not elect to participate in the ARP remain members of the regular defined benefit retirement plan. Section 22-11-47(D) NMSA 1978 allows an ARP participant a one-time option to make an irrevocable switch to the defined benefit retirement plan after seven years of ARP participation.

The benefit received upon retirement is based on the amount contributed by the employee during their career, subject to any investment gains or losses. Employees are 100% vested in both the employee and employer contributions upon enrollment in the ARP. ARP participants can apply for a distribution of their ARP contributions upon separation from the College. ARP participants direct their own investments which are held at either TIAA-CREF or Fidelity, and retirement benefits are tied to the value of the assets in the account at retirement. Upon retirement, ARP participants have three options:

- a monthly annuity based on the retiree's estimated life span
- payments received over a fixed term of years, or
- a lump sum payment

NOTE I – DEFINED CONTRIBUTION RETIREMENT PLAN – CONTINUED

For the year ended June 30, 2019, the employee contributes 10.7% and the employer contributes 10.9% of the employee's gross covered salary to the ARP vendor. Employers pay an additional 3% contribution rate to cover the actuarial impact on the Defined Benefit Plan attributable to employees participating in the ARP. Employer contributions to the ARP for the fiscal years ended June 30, 2019, 2018, and 2017 totaled $34,285, $33,502, and $32,778, respectively. The College's 3% contribution for each year is included in the amount remitted to ERB in Note H.

NOTE J – OTHER POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE – PLAN

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

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico. 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 or online at www.nmrhca.org.

<u>Benefits Provided</u>

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

NOTE J – OTHER POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE – PLAN – CONTINUED

Benefits Provided – 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 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.

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.

Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund.

The College's contributions to the RHCA for the years ended June 30, 2019, 2018 and 2017 were $63,269, $61,254, $61,617 respectively, which equal the required contributions for each year.

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

At June 30, 2019, the College reported a liability of $3,135,599 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the College’s proportion was 0.00473 percent.

NOTE J – OTHER POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – CONTINUED

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

For the year ended June 30, 2019, the College recognized OPEB expense of $(953). At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	$ -	$ 185,648
Change in proportion	15,149	-
Changes in assumptions	-	585,402
Net difference between projected and actual earnings on OPEB plan investments	-	39,131
The College's contributions subsequent to the measurement date	62,934	-
Total	$ 78,083	$ 810,181

Deferred outflows of resources totaling $63,269 represent School contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	$ (202,640)
2020	(202,640)
2021	(202,640)
2022	(155,758)
2023	(31,354)
	$ (795,032)

NOTE J – OTHER POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – CONTINUED

Actuarial Assumptions

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2018 and the ERB actuarial experience study as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2018
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Inflation	2.50% for ERB members
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females)

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

NOTE J – OTHER POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – CONTINUED

Actuarial Assumptions – Continued

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

Asset Class	Long-term Expected Rate of Return
U.S. core fixed income	4.10%
U.S. equity - large cap	9.10%
Non U.S. - emerging markets	12.20%
Non U.S. - developed equities	9.80%
Private equity	13.80%
Credit and structured finance	7.30%
Real estate	6.90%
Absolute return	6.10%
U.S. equity - small/mid cap	9.10%

Discount Rate

The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. 4.08% is the blended discount rate.

NOTE J – OTHER POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – CONTINUED

<u>Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates</u>

The following presents the net OPEB liability of the College, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08) percent) than the current discount rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
College's proportionate share of the net OPEB liability	$ 3,794,813	$ 3,135,599	$ 2,615,991

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

	1% Decrease	Current Healthcare Trend Rate	1% Increase
College's proportionate share of the net OPEB liability	$ 2,650,680	$ 3,135,599	$ 3,515,786

<u>Payables to the OPEB Plan</u>

At June 30, 2019, the School reported a payable of $7,796 for outstanding contributions due to NMRHCA for the last pay period of the year ended June 30, 2019.

NOTE K – 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 transferred upon the payment of premiums by the College to the New Mexico Public School Authority. The Authority reevaluates premiums annually and Mesalands Community College's risk is limited to premiums paid and respective deductibles.

NOTE L – ENDOWMENTS

The College has donor-restricted endowments with the authority to use interest, income, dividends, or profits of endowments for specified purposes for the benefit of the institution and its students. True endowments require the principal to be maintained inviolate and in perpetuity. Term endowments allow the principal to be expended after the passage of a stated period of time and all conditions of the endowment are met. Expendable funds are those funds that may be expended for either a stated purpose or for a general purpose as per the endowment gift terms. Nonexpendable funds are those required to be retained in perpetuity.

Endowment income is reported each year based on investment activity for the year as "additions to endowments" on the statement of revenues, expenses and changes in net position. The College plans to adopt the State of New Mexico Uniform Prudent Management of Institutional Funds Acts (UPMIFA) (Chapter 46, Article 9A, NMSA 1978) in accounting for net appreciation/depreciation of endowments. Under UPMIFA, an institution may appropriate for expenditures or accumulate as much as it determines prudent for the uses, benefits, purposes, and duration of the endowment. A reference point for appropriation decisions is the total of all original contributions received from external contributors. Each institution sets the amounts and/or percentage of net appreciation on endowment investments that are authorized for expenditure in its spending plan. Net appreciation on investments of donor-restricted endowments was $44,601 for the year ended June 30, 2019. No endowment income was authorized for distribution for the established purpose during the year ended June 30, 2019.

NOTE M – ASSETS HELD BY OTHERS

The College has the following transactions with Mesalands Community College Foundation, Inc. (Foundation), a nonprofit organization dedicated to the support of the College. The Foundation and Mesalands have common Board members but the Foundation does not qualify as a component unit.

The Foundation holds for investment purposes three different endowment fund resources of the College. There is a faculty endowment in the amount of $118,016 originally received from the State Legislature and two endowments established with federal funding totaling $982,929. The legislative endowment is a true endowment and the federally funded endowments are term endowments with restrictions that expire 20 years after the original contribution. See also Note L.

NOTE N – FUTURE ACCOUNTING STANDARDS

GASB 84

GASB Statement No. 84, *Fiduciary Activities* (GASB 84) establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 is effective for periods beginning after December 15, 2018 (FY20). This statement is not expected to change the College’s financial reporting.

GASB 87

GASB Statement No. 87, *Leases* (GASB 87) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 is effective for periods beginning after December 15, 2019 (FY 21) with earlier application encouraged. This statement may have significant effects on the assets and liabilities of the College.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY
EDUCATIONAL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS***

June 30, 2019

Year Ended June 30	Measurement Date June 30	College's proportion of the net pension liability	College's proportionate share of the net pension liability	College's covered payroll	College's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	2014	0.09774%	$ 5,576,772	$ 2,892,393	192.8%	66.54%
2016	2015	0.10017%	$ 6,488,278	$ 2,734,962	237.2%	63.97%
2017	2016	0.10765%	$ 7,746,961	$ 2,990,265	259.1%	61.58%
2018	2017	0.10292%	$ 11,437,981	$ 2,990,102	382.5%	52.95%
2019	2018	0.10340%	$ 12,295,638	$ 3,093,964	397.4%	52.95%

* Years presented represent those for which information is available.

State of New Mexico
Mesalands Community College

SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS*

June 30, 2019

Year Ended June 30	Measurement Date June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	College's covered payroll	Contributions as a percentage of covered payroll
2015	2014	$ 354,477	$ 354,257	$ 220	$ 2,892,393	12.25%
2016	2015	$ 395,767	$ 395,791	$ (24)	$ 2,734,962	14.47%
2017	2016	$ 438,204	$ 427,369	$ 10,835	$ 2,990,265	14.29%
2018	2017	$ 406,918	$ 407,414	$ (496)	$ 2,990,102	13.63%
2019	2018	$ 407,700	$ 407,044	$ 656	$ 3,093,964	13.16%

* Years presented represent those for which information is available.

NOTES TO DEFINED BENEFIT RETIREMENT PLAN RSI

For the Year Ended June 30, 2019

NOTE A – CHANGES OF BENEFIT TERMS

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

NOTE B – CHANGES OF ASSUMPTIONS

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

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

SCHEDULE OF THE PROPORTIONATE SHARE OF NET OPEB LIABILITY
RETIREE HEALTH CARE FUND
LAST 10 FISCAL YEARS*

June 30, 2019

Year Ended June 30	Measurement Date June 30	College's proportion of the net OPEB liability	College's proportionate share of the net OPEB liability	College's covered payroll	College's proportionate share of the net OPEB liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	2017	0.07178%	$ 3,252,835	$ 2,990,102	108.79%	11.34%
2019	2018	0.07211%	$ 3,135,599	$ 3,093,964	101.35%	13.14%

* Years presented represent those for which information is available.

State of New Mexico
Mesalands Community College

SCHEDULE OF CONTRIBUTIONS
RETIREE HEALTH CARE FUND
LAST 10 FISCAL YEARS*

June 30, 2019

Year Ended June 30	Measurement Date June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution (deficiency) excess	College's covered payroll	Contributions as a percentage of covered payroll
2018	2017	$ 61,617	$ 61,625	$ (8)	$ 2,990,102	2.06%
2019	2018	$ 61,254	$ 61,625	$ (371)	$ 3,093,964	1.99%

* Years presented represent those for which information is available.

NOTES TO DEFINED OPEB PLAN RSI

For the Year Ended June 30, 2019

NOTE A – CHANGES OF BENEFIT TERMS

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

NOTE B – CHANGES OF ASSUMPTIONS

Actuarial assumptions and methods are set by the Board, based upon recommendations made by the Plan's actuary. The discount rates used to determine the NOL as of June 30, 2018 and 2017 were 4.08% and 3.81%.

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

SUPPLEMENTARY INFORMATION

State of New Mexico
Mesalands Community College

BUDGETARY COMPARISONS -
COMBINED REVENUES AND EXPENDITURES

Year Ended June 30, 2019

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget Over (Under)
Beginning Fund Balance	$ (2,587,147)	$ 3,941,382	$ 3,587,798	$ (353,584)
Combined Revenues:				
Tuition and miscellaneous fees	793,499	793,499	814,343	20,844
Federal government appropriations	914,138	914,138	1,000,864	86,726
State government appropriations	4,266,174	4,266,174	4,233,369	(32,805)
Local government appropriations	285,000	285,000	289,680	4,680
Federal government grants and contracts	91,281	80,518	68,794	(11,724)
State government grants and contracts	228,573	241,720	233,452	(8,268)
Private gifts	100,000	106,499	45,066	(61,433)
Sales and services	513,470	520,970	373,249	(147,721)
Other sources	74,637	74,637	97,140	22,503
Capital outlay	2,060,063	2,060,063	198,798	(1,861,265)
Total revenues	9,326,835	9,343,218	7,354,755	(1,988,463)
Total revenues and fund balance budgeted	6,739,688	13,284,600	10,942,553	(2,342,047)
Combined Expenditures:				
Instruction and general	5,224,720	5,421,044	5,412,949	(8,095)
Public service	202,923	345,307	289,205	(56,102)
Internal service	40,921	40,921	40,921	-
Student aid, grants and stipends	1,285,812	1,285,812	1,232,557	(53,255)
Auxiliary enterprises	356,964	386,464	340,823	(45,641)
Intercollegiate athletics	155,303	155,303	139,327	(15,976)
Capital outlay	2,056,951	2,056,951	198,798	(1,858,153)
Renewal and replacement	5,000	5,000	5,000	-
Total expenditures	9,328,594	9,696,802	7,659,580	(2,037,222)
Net Transfers	-	-	-	-
Change in fund balance	(2,588,906)	3,587,798	3,282,973	(304,825)
Ending Fund Balance	$ (5,176,053)	$ 7,529,180	$ 6,870,771	$ (658,409)

State of New Mexico
Mesalands Community College

BUDGETARY COMPARISONS -
UNRESTRICTED CURRENT FUNDS - REVENUES AND EXPENDITURES

Year Ended June 30, 2019

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget Over (Under)
Beginning Fund Balance	$ (2,587,147)	$ 3,941,382	$ 3,587,798	$ (353,584)
Unrestricted Revenues:				
Tuition and miscellaneous fees	793,499	793,499	814,343	20,844
Federal government appropriations	-	-	-	-
State government appropriations	4,129,000	4,129,000	4,129,000	-
Local government appropriations	285,000	285,000	289,680	4,680
Federal government grants and contracts	-	-	-	-
State government grants and contracts	-	-	-	-
Local government grants and contracts	-	-	-	-
Private gifts	-	-	-	-
Endowments, land, and Perm Fund	-	-	-	-
Sales and services	513,470	520,970	373,249	(147,721)
Other sources	74,637	74,637	97,140	22,503
Capital outlay	2,060,063	2,060,063	198,798	(1,861,265)
Renewal and replacement	-	-	-	-
Total unrestricted revenues	7,855,669	7,863,169	5,902,210	(1,960,959)
Unrestricted Expenditures:				
Instruction and general	5,044,308	5,234,133	5,234,133	-
Student social and cultural	-	-	-	-
Research	-	-	-	-
Public service	63,481	203,481	162,544	(40,937)
Internal service	40,921	40,921	40,921	-
Student aid	134,500	134,500	78,389	(56,111)
Auxiliary enterprises	356,964	386,464	340,823	(45,641)
Intercollegiate athletics	155,303	155,303	139,327	(15,976)
Independent operations	-	-	-	-
Capital outlay	2,056,951	2,056,951	198,798	(1,858,153)
Renewal and replacements	5,000	5,000	5,000	-
Total unrestricted expenditures	7,857,428	8,216,753	6,199,935	(2,016,818)
Net Transfers	-	-	-	-
Change in fund balance	(1,759)	(353,584)	(297,725)	55,859
Ending Fund Balance	$ (2,588,906)	$ 3,587,798	$ 3,290,073	$ (297,725)

State of New Mexico
Mesalands Community College

BUDGETARY COMPARISONS -
RESTRICTED CURRENT FUNDS - REVENUES AND EXPENDITURES

Year Ended June 30, 2019

	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	914,138	914,138	1,000,864	86,726
State government appropriations	137,174	137,174	104,369	(32,805)
Local government appropriations	-	-	-	-
Federal government grants and contracts	91,281	80,518	68,794	(11,724)
State government grants and contracts	228,573	241,720	233,452	(8,268)
Local government grants and contracts	-	-	-	-
Private gifts	100,000	106,499	45,066	(61,433)
Endowments, land, and Perm Fund	-	-	-	-
Sales and services	-	-	-	-
Other sources	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacement	-	-	-	-
Total restricted revenues	1,471,166	1,480,049	1,452,545	(27,504)
Restricted Expenditures:				
Instruction and general	180,412	186,911	178,816	(8,095)
Student social and cultural	-	-	-	-
Research	-	-	-	-
Public service	139,442	141,826	126,661	(15,165)
Internal service	-	-	-	-
Student aid	1,151,312	1,151,312	1,154,168	2,856
Auxiliary enterprises	-	-	-	-
Intercollegiate athletics	-	-	-	-
Independent operations	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Total restricted expenditures	1,471,166	1,480,049	1,459,645	(20,404)
Net Transfers	-	-	-	-
Change in fund balance	-	-	(7,100)	(7,100)
Ending Fund Balance	$ -	$ -	$ (7,100)	$ (7,100)

State of New Mexico
Mesalands Community College

BUDGETARY COMPARISONS - UNRESTRICTED CURRENT FUNDS - SUMMARY OF INSTRUCTION AND GENERAL - REVENUES AND EXPENDITURES

Year Ended June 30, 2019

	Original Budget	Final Revised Budget	Actual Budgetary Basis	Variance with Final Budget Over (Under)
Beginning Fund Balance	$ (4,603,448)	$ (1,859,844)	$ 1,402,347	$ 3,262,191
Unrestricted Revenues:				
Tuition and miscellaneous fees	793,499	793,499	814,343	20,844
Federal government appropriations	-	-		-
State government appropriations	3,877,300	3,877,300	3,877,300	-
Local government appropriations	285,000	285,000	289,680	4,680
Federal government grants and contracts	-	-	-	-
State government grants and contracts	-	-	-	-
Local government grants and contracts	-	-	-	-
Private gifts	-	-	-	-
Endowments, land, and Perm Fund	-	-	-	-
Sales and services	-	-	-	-
Other sources	74,637	74,637	97,140	22,503
Total unrestricted revenues	5,030,436	5,030,436	5,078,463	48,027
Unrestricted Expenditures:				
Instruction	1,997,784	2,117,609	2,117,609	-
Academic support	627,993	642,993	642,993	-
Student services	719,318	719,318	719,318	-
Institutional support	1,113,297	1,113,297	1,113,297	-
Operation and maintenance of plant	585,916	640,916	640,916	-
Total unrestricted expenditures	5,044,308	5,234,133	5,234,133	-
Net Transfers	102,800	102,800	102,800	-
Change in fund balance	88,928	(100,897)	(52,870)	48,027
Ending Fund Balance	$ (4,720,120)	$ (2,166,341)	$ 1,143,877	$ 3,310,218

SCHEDULE 5

State of New Mexico
Mesalands Community College

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

For the Year Ending June 30, 2019

Budgetary basis revenues	$ 7,354,755
Additions to endowments	47,445
Other	61,462
Total GAAP basis revenues	$ 7,463,662

Budgetary basis expenditures	$ 7,659,580
Capital expenditures	-
Depreciation expense	852,216
Bad debt expense	15,206
Pension expense	2,153,777
Other postemployment benefits expense	(953)
Other	(698,333)
Total GAAP basis expenditures	$ 9,981,493

State of New Mexico
Mesalands Community College

SCHEDULE OF PLEDGED COLLATERAL

June 30, 2019

	Total Deposits	FDIC or NCUA Insurance	Collateral Required	Collateral Pledged	Security Deficit
1st National Bank of New Mexico	$ 1,928,557	$ (250,000)	$ 839,279	$ (2,118,141)	$ -
Wells Fargo	$ 1,341,738	$ (250,000)	$ 545,869	$ (654,667)	$ -
Everyone's Federal Credit Union	$ 42,435	$ (42,435)	$ -	$ -	$ -

All pledged securities are held by the financial institution's agent at:

1st National Bank of New Mexico:

Collateral	CUSIP#	Maturity		Held at
Letter of Credit #5497000115	5497000115	9/12/2019	$ 1,000,000	Federal Home Loan Bank of Dallas
FHLMC Pool #G18575	3128MMT94	11/1/2030	537,429	8500 Freeport Parkway South
LOGAN NM SCH DIST #32	541066BD7	4/15/2020	125,323	Suite 100
SBA Pool #522336	83165AY99	11/25/2041	455,389	Irving, Texas 75063-2547
			$ 2,118,141	

Wells Fargo

Collateral	CUSIP#	Maturity		Held at
FNMA FNMS 2.5% 05/01/31	3140F5MD2	5/1/1931	$ 493,444	BNY Mellon
FNMA FNMS 3.0% 10/01/35	31418BVJ2	10/1/1935	161,223	BNY Mellon
			$ 654,667	

State of New Mexico
Mesalands Community College

Schedule 7

SCHEDULE OF MULTIPLE-YEAR CAPITAL PROJECTS FUNDED BY
GENERAL OBLIGATION REVENUE BOND AND SEVERANCE TAX BONDS
CAPITAL OUTLAY APPROPRIATIONS FROM THE STATE

Year Ended June 30, 2019

Project Description		Authority/Chapter	Laws	Appropriation Period	Expiration	Total Appropriation	Bonds Sold to Date	Bonds Unsold	Amount Available	Prior Year Expenditures	Current Year Expenditures	Art in Public Places	Current Year Reversion Amount	Unencumbered Balance
General Obligation Revenue Bond														
General Obligation A5122	Campus Paving, Landscape & Curbing Improvements	Ch 82 Sec 10/C/2	2017	2017	6/30/2021	2,000,000	2,000,000	-	2,000,000	-	153,121	-	-	1,846,879
	Total Capital Appropriations					$ 2,000,000	$ 2,000,000	$ -	$ 2,000,000	$ -	$ 153,121	$ -	$ -	$ 1,846,879

State of New Mexico
Mesalands Community College

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUND

For the Year Ended June 30, 2019

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Auto tech club	$ 1,528	$ -	$ 2	$ 1,526
Astronomy club	196	-	-	196
Gamers club	958	-	1	957
Chi Alpha	446	-	1	445
Diesel club	871	-	1	870
Skills USA club	568	-	1	567
Hot metal club	4,928	590	4,275	1,243
Life savers club	450	-	1	449
Livestock judging	1,414	-	707	707
Natural sciences club	216	-	-	216
Native American club	908	-	1	907
Peer mentoring	389	-	-	389
Phi Theta Kappa	2,042	432	312	2,162
Robotics club	140	-	-	140
Rodeo club	3,301	420	1,314	2,407
Farrier SHOE club	15,600	3,668	20	19,248
SIFE	1,269	20	1	1,288
Hispanic heritage club	1,253	-	1	1,252
Student government	520	-	1	519
Truck driving club	395	-	-	395
M.E.S.A. club	293	-	-	293
NAWRTC club	534	-	285	249
Employee office fund	5,292	1,672	1,058	5,906
GED club	104	-	-	104
Total	$ 43,615	$ 6,802	$ 7,982	$ 42,435

State of New Mexico
Mesalands Community College

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

Federal Grantor Program Title	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Subrecipient Expenditures	Fiscal Year Expenditures
U.S Department of Education				
Direct Programs:				
Student Financial Assistance Cluster				
Pell Grant		84.063	$ -	$ 785,713
Direct Unsubsidized Loan		84.268	-	146,903
College Work Study		84.033	-	24,891
Supplemental Educational Opportunity Grant (SEOG)		84.007	-	24,534
Total Student Financial Assistance Cluster				982,041
Title V Endowments		84.031	-	982,929
Total U.S Department of Education Direct				1,964,970
Indirect Programs				
Passed through NM Higher Edcuation Department				
Adult Education - Basic Grants to States	V002A140032	84.002	-	48,737
Total U.S Department of Education Indirect				48,737
Total U.S Department of Education				2,013,707
Small Business Administration				
Small Business Development Centers	7620003212	59.037	-	9,926
Total Small Business Administration				9,926
U.S. Department of Labor				
Passed through NM Skill-Up Network Consortium				
Trade Adjustment Assistance Community College and Career Training Grants	TC264861460A35	17.282	-	10,131
Total U.S. Department of Labor				10,131
Total Schedule of Expenditures of Federal Awards				$ 2,033,764

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

NOTE A – GENERAL

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the College under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Such expenditures are recognized in accordance with the cost principles in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Amounts related to pass through grants are classified as state grants and contracts in the accompanying statement of revenues, expenses, and changes in net position.

NOTE C – INDIRECT COST RATE

The College has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D – COMPLIANCE SUPPLEMENT

The August 2019 compliance supplement issued as a correction to the June 2019 compliance supplement was utilized for the single audit engagement. The June 2019 compliance supplement was not used.

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ATKINSON & CO. LTD
6501 AMERICAS PARKWAY NE , SUITE 700, ALBUQUERQUE, NM 87110
PO BOX 25246, ALBUQUERQUE, NM 87125
T 505 843 6492 F 505 843 6817 ATKINSONCPA.COM

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

Board of Trustees
Mesalands Community College
Tucumcari, New Mexico
and
Mr. Brian Colón
New Mexico State Auditor

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 and related notes which collectively comprise the basic financial statements of Mesalands Community College (the College), as of and for the year ended June 30, 2019 and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. No deficiencies were noted that we consider to be material weaknesses. 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and 2.2.2 NMAC which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002.

Mesalands Community College's Responses to Findings

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

Purpose of this Report

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

Atkinson & Co., Ltd.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2019

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ATKINSON & CO. LTD
6501 AMERICAS PARKWAY NE , SUITE 700, ALBUQUERQUE, NM 87110
PO BOX 25246, ALBUQUERQUE, NM 87125
T 505 843 6492 F 505 843 6817 ATKINSONCPA.COM

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

Board of Trustees
Mesalands Community College
Tucumcari, New Mexico
and
Mr. Brian Colón
New Mexico State Auditor

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 *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2019. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed several instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-003, 2019-004, and 2019-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

Purpose of this Report

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

Atkinson & Co., Ltd.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2019

SUMMARY OF FINDINGS AND RESPONSES

Year Ended June 30, 2019

Prior Year Findings	Status
Findings – Financial Statement	
2018-001 Pension Census Data Transmission (Significant Deficiency)	Modified and Repeated
Findings in Accordance with 2.2.2 NMAC (State Audit Rule)	
2018-002 Certified Procurement Officer (Other Noncompliance)	Resolved
2018-003 Investment Policy (Other Noncompliance)	Resolved
Findings – Federal Award Findings and Questioned Costs	
2018-004 (2017-006) Verification Testing (Other Noncompliance)	Resolved

Current Year Findings

Findings – Financial Statement

None

Findings in Accordance with 2.2.2 NMAC (State Audit Rule)

2019-001 (2018-001) Pension Census Data Transmission (Significant Deficiency)

2019-002 Procurement (Other Noncompliance)

Findings – Federal Award Findings and Questioned Costs

2019-003 Disbursements Testing (Other Noncompliance)
2019-004 Borrower Data Transmission and Reconciliation (Other Noncompliance) (Significant Deficiency)
2019-005 Student Information Security (Other Noncompliance) (Significant Deficiency)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	____ Yes __X__ No
• Significant deficiencies identified?	____ Yes __X__ None reported
Non-compliance material to financial statements noted?	____ Yes __X__ No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	____ Yes __X__ No
• Significant deficiencies identified?	__X__ Yes _____ None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	__X__ Yes _____ No

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
Various	Student Financial Aid Cluster
84.031	Higher Education-Institutional Aid

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	____ Yes __X__ No

B. FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC (STATE AUDIT RULE)

2019-001 (2018-001) PENSION AND OPEB CENSUS DATA TRANSMISSION (SIGNIFICANT DEFICIENCY)

CONDITION
During our testing of census data submitted to the College's pension and OPEB plans, we noted that with 12 of the 44 employees sampled, census data submitted to the plans by the College did not agree with the census data per employee personnel records for approved pay rates and employee pay. We also noted two instances relevant to one employee in which the employer's contribution was made at a rate lower than is required to be contributed to the plan for Pension.

The finding was repeated for this year's audit. There was no substantial progress on this finding.

CRITERIA
The census data submitted by the College as a participating employer in the NM Educational Retirement and NM Retiree Healthcare plans is used by the Plans' actuaries in computing the Plans' net pension and OPEB liability. Errors in the data submitted to the plan can affect the results of the actuary's calculations. Additionally, these errors may cause difficulty for employees attempting to claim their benefits in the future.

CAUSE
Unknown.

EFFECT
The effect of errors on the amount of net pension or OPEB liability is not able to be quantified.

RECOMMENDATION
We recommend that the College perform a review of the census data submitted to ERB and RHCA and correct any errors.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION
The College will complete a review of the census data submitted to ERB and RHCA and correct all errors. This will be implemented in the first six months of fiscal 2020.

POINT OF CONTACT
Human Resources Specialist

B. FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC (STATE AUDIT RULE) – CONTINUED

2019-002 PROCUREMENT (OTHER NONCOMPLIANCE)

CONDITION
During a review of work performed over compliance with the NM State Procurement Code, it was noted that the procurement code was not followed in a large purchase (over $60,000) by the College. Construction materials for a class project to build a house were purchased through the construction company owned by the class instructor. Total purchases from the contractor for the year under audit were $68,919 and as such, falls under the large purchase requirements of the procurement code. We noted that documentation did not appear to support the College requesting sealed bids and documentation provided by the purchasing office indicated that the Chief Procurement Officer and the purchasing office were not notified of the College's intent to make these purchases until after the invoices were received from the construction company. The College was also unable to support that it obtained Board of Trustees approval for these purchases.

CRITERIA
The New Mexico Procurement Code (13-1-95.2 NMSA 1978) states that purchases with a single vendor over $60,000 are required to follow a sealed bid process or the decision to procure a sole source contract must be documented and justified.

The College's purchasing policy states that purchases in excess of $19,999 require Board of Trustees Approval and purchases of $40,001 or more require three (3) competitive sealed bids to be obtained by the College before selecting a vendor.

CAUSE
Unknown.

EFFECT
Not in compliance with state statute and purchasing policy.

RECOMMENDATION
We recommend that the College follow the procurement code and its purchasing policy.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION
The College anticipated that the cost would be under the $60,000 level and we went over. We will not violate this policy, law or state rule again. Part of this over-run was confusion as the house was not a purchase per se by the College but an academic project wherein we hired the contractor to also be the instructor for our students in order to teach out our Building Trades Program in compliance with HLC guidelines, which resulted in completing a house that was started nearly 10 years ago. This action was implemented immediately.

POINT OF CONTACT
President
Vice President of Administrative Affairs

D. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2019-003 ACTIVITIES ALLOWED AND ELIGIBILITY TESTING (OTHER NONCOMPLIANCE)
Program: Student Financial Assistance Cluster
CFDA No.: 84.063
Period: 7/1/2018 – 6/30/2019

CONDITION
During testing of activities allowed and eligibility relevant to disbursements of student financial aid, it was noted in 1 student file tested out of a sample of 40, there were two instances of noncompliance relevant to the student file. We noted within the student aid file that the student did not meet minimum satisfactory academic progress requirements relevant to pace of progression within the program and the student was not placed on "warning" status as is required by the Satisfactory Academic Progress Policy. We also noted for this file that the program that the student was identified as having been enrolled in was not listed in the ECAR and as such, is not considered an eligible program.

CRITERIA
34 CFR 668.32(a)(1)(i) states that a student must be enrolled in an eligible program to receive student financial aid. 34 CFR 668.34(f) states that a student must meet minimum satisfactory academic progress requirements to receive student financial aid.

CAUSE
Unknown.

EFFECT
Aid was disbursed to the student when the student was not eligible to receive aid.

QUESTIONED COSTS
Questioned costs are below the required reporting threshold of $25,000.

RECOMMENDATION
We recommend that the College exercise caution in determination of student's eligibility to receive student financial aid.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION
The College will ensure that all federal financial aid recipients are eligible for the programs including SAP and CIP codes. The corrective action will be continuously implemented in the first six months of fiscal 2020 for those files involving eligibility and academic progress determinations.

POINT OF CONTACT
Director of Financial Aid

D. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – CONTINUED

2019-004 BORROWER DATA TRANSMISSION AND RECONCILIATION (OTHER NONCOMPLIANCE) (SIGNIFICANT DEFICIENCY)

Program: Student Financial Assistance Cluster
CFDA No.: 84.268
Period: 7/1/2018 – 6/30/2019

CONDITION
In our testing over borrower data transmission and reconciliation, we noted that none of the 3 reconciliations of borrower data provided by COD to the School's records selected for testing were documented and as such, could not be tested.

CRITERIA
The Department of Education requires that a reconciliation be performed monthly of the Direct Loan School Account Statement (DLSAS) provided by COD including a cash summary and cash detail to the school's records.

CAUSE
Unknown.

EFFECT
The College does not meet compliance requirements relevant to borrower data transmission and reconciliation.

QUESTIONED COSTS
None to report.

RECOMMENDATION
We recommend that the College design and implement controls to ensure that a reconciliation of the DLSAS to the school's information be performed and documented monthly.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION
The College will perform monthly reconciliations on the Direct Loan program to COD, PowerFAIDS, and Jenzabar J1. The implementation will begin for the first quarter of fiscal 2020.

POINT OF CONTACT
Vice President of Administrative Affairs
Director of Financial Aid

D. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – CONTINUED

2019-005 STUDENT INFORMATION SECURITY (OTHER NONCOMPLIANCE) (SIGNIFICANT DEFICIENCY)

Program: Student Financial Assistance Cluster
CFDA No.: 84.063, 84.033, 84.007 and 84.268
Period: 7/1/2018 – 6/30/2019

CONDITION
The School has designated an individual to coordinate the information security program, but has not performed a risk assessment to cover required elements and as such, has not documented safeguards for risks identified.

CRITERIA
16 CFR 314.4 (b), or the Safeguards Rule, requires financial institutions under FTC jurisdiction to have measures in place to keep customer information secure. In addition to developing their own safeguards, companies covered by the Rule are responsible for taking steps to ensure that their affiliates and service providers safeguard customer information in their care. Additionally, the Gramm-Leach-Bliley Act (Public Law 106-102) requires that the College protect the privacy of consumers' personal information. As such, the College is required to designate an individual to coordinate the information security program, perform a risk assessment, and document a safeguard for each risk identified. The risk assessment is required to include (1) Employee training and management; (2) Information systems, including network and software design, as well as information processing, storage, transmission and disposal; and (3) Detecting, preventing, and responding to attacks, intrusions, or other system failures.

CAUSE
Unknown.

EFFECT
The College may be at risk of experiencing system attacks, intrusions, and other system failures that could have been prevented or detected and responded to more timely.

QUESTIONED COSTS
None to report.

RECOMMENDATION
We recommend that the College perform a risk assessment that encompasses the required elements noted above and document safeguards for risks identified.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION
The College will ensure that a risk assessment will be performed including all provisions of 16 CFR 314.4(b). The risk assessment will be completed during the first six months of fiscal 2020 and before new grant applications are initiated.

POINT OF CONTACT
Director of Institutional Technology

State of New Mexico
Mesalands Community College

EXIT CONFERENCE

June 30, 2019

An exit conference was held on October 29, 2019, with the following in attendance:

For Mesalands Community College:

Craig T. Currell	Board of Trustees
Dr. John Groesbeck	President
Amanda Hammer	VP of Administrative Affairs

For Atkinson & Co., Ltd.

Martin Mathisen, CPA, CGFM, CFE	Audit Director

The financial statements were prepared by Atkinson & Co., Ltd, with the assistance of the College. The College is responsible for the contents of these financial statements.

ATKINSON & CO. LTD
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

6501 AMERICAS PARKWAY NE
SUITE 700
ALBUQUERQUE, NM 87110

T 505 843 6492
F 505 843 6817
ATKINSONCPA.COM