

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE

Annual Financial Report

June 30, 2016



**SANTA FE COMMUNITY COLLEGE
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JUNE 30, 2016**

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**SANTA FE COMMUNITY COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016**

**OFFICIAL ROSTER
 June 30, 2016**

Name		Title
BOARD MEMBERS		
Dr. Martha Romero		Chair
Kathy Keith		Vice Chair
Pablo Sedillo		Secretary
Linda Siegle		Member
Jack Sullivan		Member
ADMINISTRATIVE OFFICIALS		
Randy Grissom		President
Nick Telles		Chief Financial Officer
Jeremy Lovato		Interim - Chief Information Officer
Dr. Carmen Gonzales		Vice President for Student Success
Margaret Peters		Vice President of Academic Affairs
Janet Wise		Executive Director of Marketing and Public Relations
SFCC FOUNDATION		
Deborah Boldt		Director of Development/Executive Director of SFCC Foundation
BOARD MEMBERS		
Richard Abeles		President
Dr. Rachel Belash		Vice President
Dr. Carmen Gonzales		Secretary
Rosemary Palazzi Mulcahy		Treasurer

INDEPENDENT AUDITOR'S REPORT

To the Board Members
Santa Fe Community College
Santa Fe, New Mexico
and
Mr. Tim Keller, New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Santa Fe Community College (the "College"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We have also audited the budget comparisons presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the College, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects, the budgetary comparisons for the year ended June 30, 2016 in conformity with the budgetary basis of accounting prescribed by the New Mexico Administrative Code, as more fully described in the budgetary schedules, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 6 through 9, and Schedules I, II, and the Notes to the Required Supplementary Information on pages 38 through 40, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements and budget comparisons. The accompanying *Schedule of Expenditures of Federal Awards as required by Title 2 Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and other schedules required by Section 2.2.2.NMAC* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *Schedule of Expenditures of Federal Awards and other schedules required by Section 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, *Schedule of Expenditures of Federal Awards and other schedules required by Section 2.2.2.NMAC* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information required by 2.2.2.10(A)(2)(g) NMAC has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result 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.

The logo for Axiom, featuring the word "Axiom" in a blue, cursive script font.

Axiom CPAs and Business Advisors, LLC
Albuquerque, New Mexico
November 8, 2016

**SANTA FE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Overview of Financial Statements

For financial reporting purposes, Santa Fe Community College (the College) is considered a special-purpose government engaged only in business-type activities. The College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The College has considered potential component units and has chosen to include The Santa Fe Community College Foundation (the Foundation) as a component unit. These financial statements are based upon Governmental Accounting Standards Board GASB Statement 35. This MD&A focuses on the College and not on the Foundation. This report consists of a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, a Statement of Cash Flows and Notes to the Financial Statements.

Condensed Financial Information

Assets and Deferred Outflows of Resources	2016	2015	2014
Current assets	\$ 12,513,253	\$ 10,397,084	\$ 20,564,721
Capital and other assets	102,650,080	104,871,637	99,818,270
Deferred outflows of resources	4,967,103	3,470,696	-
Total Assets and Deferred Outflows of Resources	120,130,436	118,739,417	120,382,991
Liabilities and Deferred Outflows of Resources			
Current liabilities	11,379,471	10,434,718	14,231,851
Noncurrent liabilities	67,056,708	68,952,297	28,788,884
Deferred inflows of resources	3,260,899	4,756,994	-
Total Liabilities and Deferred Outflows of Resources	81,697,078	84,144,009	43,020,735
Net Position			
Net investment in capital assets	73,267,092	71,588,145	69,665,786
Restricted	6,267,988	5,153,337	5,466,538
Unrestricted	(41,101,712)	(42,146,074)	2,229,932
Total Net Position	\$ 38,433,368	\$ 34,595,408	\$ 77,362,256

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$38,433,358 at the close of the fiscal year. Of this amount, (\$41,101,712) is unrestricted. The reason for the large negative amount for unrestricted net position is due to a GASB 68 change that requires institutions to account for total net pension liability. Shown above, the change was implemented in FY2015 whereby noncurrent liabilities increased from approximately \$29M in 2014 to \$69M in 2015.
- Cash and cash equivalents increased from \$4,902,483 at the beginning of the year to \$6,460,917 at the end of the fiscal year. Investments decreased from \$5,754 at the beginning of the year to \$2 at the end of the fiscal year as the funds were moved from an investment account to the college's operational bank account.
- Net Position as shown above for the FY16 schedule increased by \$3,837,960 to \$38,433,368 in comparison to \$34,595,408 at the end of fiscal year 2015. This is a result of improvement in the college's cash position as well as a decrease in the net pension liability compared to the prior year.

**SANTA FE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Revenues, Expenses and Changes in Net Position

Below is a schedule with a three year comparison of revenue, expenses and changes in net position. The increase in net position, excluding any restatement items, for fiscal year 2016 was \$3,837,960 compared to an increase in net position of \$3,193,872 for fiscal year 2015.

	2016	2015	2014
Operating Revenues	\$ 22,259,635	\$ 15,745,578	\$ 14,920,460
Operating Expenses	<u>(62,808,522)</u>	<u>(56,293,756)</u>	<u>(61,436,865)</u>
Operating Loss	(40,548,887)	(40,548,178)	(46,516,405)
Non-Operating Revenues (Expenses)	<u>44,386,847</u>	<u>43,742,050</u>	<u>44,968,522</u>
Change in Net Position	\$ 3,837,960	\$ 3,193,872	\$ (1,547,883)

Analysis of Financial Position and Results of Operations

In June 2014, SFCC management and the governing board implemented a financial stabilization plan to address budget issues at that time. The corrective action required budget decreases in fiscal year 2015 to address approximately a \$5 million shortfall. As a result of the situation in 2014 management has implemented financial decision making processes that have led to increased financial stability of the college.

Operating Revenues

	2016	2015	2014
Tuition and fees, net	\$ 4,989,460	\$ 4,931,109	\$ 3,869,859
Government grants and contracts	13,248,238	6,359,902	6,501,926
Non-government grants and contracts	733,968	854,412	646,270
Sales and services of educational activities	693,595	978,372	860,676
Auxiliary enterprises	<u>2,594,374</u>	<u>2,621,783</u>	<u>3,041,729</u>
Operating Revenues	\$ 22,259,635	\$ 15,745,578	\$ 14,920,460

Operating expenses for fiscal years 2016 and 2015 totaled \$62,808,522 and \$56,293,756, respectively. The primary cause for the increase in expenditures is due to a reinstatement of salaries for employees at the college in 2015. In 2014, under the financial stability plan compensation was cut in order to improve the financial position of the college.

Operating Expenses

	2016	2015	2014
Instruction	\$ 22,899,125	\$ 20,554,470	\$ 19,663,916
Academic support	4,229,802	3,346,372	3,874,351
Student services	3,961,733	3,646,250	4,112,696
Institutional support	6,366,934	6,303,146	8,250,614
Operation and maintenance of plant	4,195,853	3,132,027	4,745,215
Student activities	105,643	80,964	76,467
Student aid	7,730,272	6,324,393	6,794,393
Public services	6,963,950	6,843,081	6,772,422
Auxiliary enterprises	2,321,844	2,626,924	2,861,870
Building renewal and replacements	379,955	108,526	1,135,400
Depreciation and amortization	3,574,924	3,327,603	3,149,521
Internal services	78,487	-	-
Operating Expenses	\$ 62,808,522	\$ 56,293,756	\$ 61,436,865

**SANTA FE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The following schedule summarizes the College's non-operating revenues and expenses of \$44,386,847 for the fiscal year ended June 30, 2016. Non-operating revenue in FY2016 increased by \$644,797 compared to the previous year. The college has received \$540,724 in increased local property tax revenues compared to the prior year. As shown below, the decrease in Federal Pell grants is a result of lower student enrollment from FY15-FY16.

Non-Operating Revenues and Expenses

	2016	2015	2014
Federal Pell grant	\$ 5,749,424	\$ 7,122,664	\$ 8,407,795
State appropriations	15,390,679	14,849,955	14,624,246
Local appropriations - operating	17,107,091	16,525,166	16,726,966
Local appropriations - debt service	6,008,432	5,471,423	6,062,908
Investment gain (loss)	-	1,100	2,758
Interest expense and other related debt	(480,449)	(567,488)	(663,738)
Other income	611,670	401,310	150,622
Loss on disposal assets	-	(62,080)	(343,035)
Non-Operating Revenues and Expenses	\$ 44,386,847	\$ 43,742,050	\$ 44,968,522

**SANTA FE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Analysis of Variations Between Original and Final Budget and Resulting Actual

During FY16, one budget adjustment was submitted to the Higher Education Department and approved to recognize anticipated changes in revenue and expenditures. Actual revenue exceeded the anticipated budgeted revenue estimate for unrestricted instruction and general (I&G) by \$381,624. I&G expenses came in \$125,527 under budget. Anticipated revenues for I&G for the year ended June 30, 2016 was a final budgeted amount of \$34,542,998 and actual revenues received for the same time period was \$34,924,622. For FY16 I&G net position improved by \$638,580 to a total of \$1,711,332.

Significant Capital Asset and Long-Term Debt Activity

On August 3, 2010, the Santa Fe County voters approved a \$35 million general obligation bond issue for main campus development and improvement projects and a higher education learning center and solar array project. The original bond issue of \$20 million occurred on October 28, 2010 and a \$15 million bond issue was received on May 16, 2013.

All proceeds from the bond issues have been expended and the capital projects have been completed. In FY 16 local property tax debt service funds were utilized to pay \$4,640,000 in principle and \$480,449 was paid for interest on the bonds. At the end of FY 16 the college had \$25,081,115 of principle and interest outstanding.

Currently Known Facts, Decisions or Conditions Impacting Financial Conditions

The New Mexico State General Appropriations budget funds higher education institutions and specifically Santa Fe Community College. During the legislative session in 2016, SFCC's state appropriation budget was cut by .6%. At the beginning of FY17 the state realized a revenue shortfall of approximately \$600 million and a special session was called in October 2016. During the legislative session in October an additional cut to higher education was made in the amount of 5%. The college has built a contingency fund of \$250,000 in the FY17 budget that is available for anticipated state budget cuts.

The higher education funding formula has been under continuous change over the past several years. This has created challenges in terms of anticipating revenues and preparing budgets. The formula is expected to be revised again during the 2017 legislative session. The college will closely monitor the impact funding formula changes will have on forthcoming budgets.

Additionally, state wide enrollments have been declining; however SFCC has been able to remain fairly flat by increasing the number of DC students.

The college has established a robust procedure whereby the budget is prepared with strong governing board oversight and accountability for revenue and expenditure estimates.

Component Unit

The Foundation for Santa Fe Community College Foundation is included as a component unit on the financial statement. The Foundation was established October 2004 to encourage, solicit, receive, and administer gifts and bequests of real and personal property and funds for scientific, educational, public service, and charitable purposes for the advancement and benefit of Santa Fe Community College and its objectives.

A copy of the separately issued audited financial statements for The Foundation can be obtained by writing to the Executive Director at The Foundation Santa Fe Community College Foundation, 6401 Richards Ave., Santa Fe, NM 87508.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2016

	Santa Fe Community College	Component Unit Foundation
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	\$ 6,460,917	1,218,914
Short-term investments	2	6,973,163
Accounts receivable, net	5,182,662	-
Due from component unit	128,077	-
Inventory	368,537	-
Prepaid expenses	373,058	-
Total current assets	<u>12,513,253</u>	<u>8,192,077</u>
Noncurrent Assets		
Restricted cash and cash equivalents	6,267,988	-
Capital assets, net	96,382,092	584,458
Total noncurrent assets	<u>102,650,080</u>	<u>584,458</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	4,909,446	-
Total deferred outflows of resources	<u>4,909,446</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 120,072,779</u>	<u>8,776,535</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 2,894,987	574
Accrued expenses	1,293,282	-
Interest payable	264,885	-
Unearned revenue	949,387	-
Deposits held in trust	30,794	-
Due to primary government	-	128,077
Compensated absences	1,046,136	-
Current maturity of bonds payable	4,900,000	-
Total current liabilities	<u>11,379,471</u>	<u>128,651</u>
Noncurrent Liabilities		
Annuity payable, less curranty portion	-	17,118
Compensated absences	243,957	-
Bond premium	500,162	-
Bond payable	18,215,000	-
Net pension liability	48,097,579	-
Total noncurrent liabilities	<u>67,056,698</u>	<u>17,118</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related	3,260,857	-
Total deferred inflows of resources	<u>3,260,857</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	73,267,092	-
Restricted		
Nonexpendable Scholarship and program	-	3,905,836
Expendable scholarship and programs	-	3,223,568
Expendable Future debt service requirements	6,267,988	-
Unrestricted	<u>(41,159,327)</u>	<u>1,501,362</u>
Total net position	<u>38,375,753</u>	<u>8,630,766</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 120,072,779</u>	<u>8,776,535</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
JUNE 30, 2016**

	Santa Fe Community College	Component Unit Foundation
Operating Revenues		
Student tuition and fees (net of scholarship allowances of \$2,126,565)	\$ 4,989,460	-
Governmental grants and contracts	13,248,238	-
Nongovernment grants and contracts	733,968	-
Auxiliary enterprises	2,594,374	-
Gifts, bequests and endowments	-	1,800,826
Sales and services of educational activities	693,595	-
Total operating revenues	<u>22,259,635</u>	<u>1,800,826</u>
Operating Expenses		
Instruction	22,956,740	-
Academic support	4,229,802	-
Student services	3,961,733	-
Institutional support	6,366,934	-
Operation and maintenance of plant	4,195,853	786,736
Student activities	105,643	-
Student aid	7,730,272	378,050
Internal services department	78,487	-
Public services	6,963,950	-
Axuliary enterprise expenses	2,321,844	-
Plant Operations Expense	379,955	-
Depreciation	3,574,924	-
Total operating expenses	<u>62,866,137</u>	<u>1,164,786</u>
Operating (loss) gain	<u>(40,606,502)</u>	<u>636,040</u>
Nonoperating revenues (expenses):		
Federal pell grants	5,749,424	-
State appropriations, non-capital	15,390,679	-
Mill levy - operations	17,107,091	-
Mill levy - debt services	6,008,432	-
Investment income (loss)	-	57,891
Interest and investment loss	(480,449)	-
Other income (expenses)	611,670	-
Net nonoperating revenues	<u>44,386,847</u>	<u>57,891</u>
Increase in net position	3,780,345	693,931
Net position, beginning of year	<u>34,595,408</u>	<u>7,936,835</u>
Net position, end of year	<u>\$ 38,375,753</u>	<u>8,630,766</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
STATEMENT OF CASH FLOW
JUNE 30, 2016**

	Santa Fe Community College
Cash Flows From Operating Activities	
Tuition and fees	\$ 4,995,212
Grants and contracts	13,292,091
Auxiliary enterprise charges	2,594,374
Sales and services of educational activities	693,595
Payment of employees and benefits	(21,168,347)
Payments of vendors	(37,241,971)
Net cash used by operating activities	<u>(36,835,046)</u>
Cash Flows From Noncapital Financing Activities	
State appropriations	15,390,679
Federal pell grants	5,749,424
Mill levies	23,115,523
Other receipts or (disbursements)	611,670
Net cash provided by noncapital financing activities	<u>44,867,296</u>
Cash Flows From Capital Financing Activities	
Principal payment on long term debt	(4,640,000)
Interest paid	(480,449)
Net cash used by capital financing activities	<u>(5,120,449)</u>
Cash flows from investing activities:	
Purchase of capital assets	(613,871)
Net cash used by capital financing activities	<u>(613,871)</u>
Net decrease in cash and cash equivalents	2,297,930
Cash and cash equivalents, beginning of year	<u>10,430,975</u>
Cash and cash equivalents, end of year	<u>\$ 12,728,905</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (40,606,502)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	3,574,924
Net pension expense	3,168,824
Changes in assets and liabilities	
Accounts receivable, net	(642,654)
Inventory	(26,913)
Prepaid expenses and other assets	(2,942,462)
Unearned revenue	(41,709)
Accounts payable	407,375
Other liabilities	274,071
Net cash used by operating activities	<u>\$ (36,835,046)</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2016**

Assets	Agency Funds
Current Assets:	
Cash	\$ 252,030
Account receivable	7,854
	<hr/>
Total current assets	259,884
	<hr/>
Non-current assets:	
Capital assets, net of accumulated depreciation of \$282,554	32,542
	<hr/>
Total non-current assets	32,542
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Total assets	\$ 292,426
	<hr/> <hr/>
Liabilities	
Accounts Payable	\$ 258
Due to other organizations	292,168
	<hr/>
Total liabilities	\$ 292,426
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

On February 2, 1983, the citizens of the Santa Fe Public School District voted in favor of supporting a two-year Junior College through a local tax levy. The Santa Fe Community College (College, Primary Institute) was created under the "Junior College Act," Sections 21-13-1 through 21-13-25 New Mexico Statutes Annotated, 1978 compilation, as amended. The purpose of the Junior College Act is to provide for the creation of local junior colleges and to extend the privilege of a basic vocational technological or higher education to all persons who are qualified to pursue the courses of study offered.

2. Component Unit

Component units are legally separate organizations for which the primary organization is financially accountable. Component units can also be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entities financial statements to be misleading or incomplete. In addition, component units can be organizations that raise and hold economic resources for the direct benefit of a primary unit. Because of the closeness of their relationships with the primary organization, some component units are blended as though they are part of the primary organization. However, most component units are discretely presented. The College has one blended and one discretely presented component unit. The College does not have any related organizations, joint ventures or jointly governed organizations.

The following is a blended component unit:

The Santa Fe Community College Training Center Corporation (Corporation) is organized for the purpose of training and related functions, including for the planning, designing, constructing, equipping, furnishing and operating a mobile film production and transmission capability, a film science construction and training facility and training center, a biomass production, distribution and training center in accordance with the needs of the Santa Fe Community College, and for such other training related purposes as the College directs in the future. The Corporation is operated, supervised, or controlled by the Governing Board of the Santa Fe Community College. There was no activity during fiscal year 2016 for the Corporation.

The following is a discretely presented component unit:

Santa Fe Community College Foundation is formed to encourage, solicit, receive, and administer gifts and bequests of real and personal property and funds for scientific, educational, public service, and charitable purposes for the advancement and benefit of Santa Fe Community College and its objectives and, to that end (a) to take and to hold, either absolutely or in trust for any limitations and conditions imposed by law or the instrument under which received; (b) to sell, lease, convey, and dispose of any such property, to invest and reinvest any proceeds and other funds, and to deal with and expend the principal and income for any purpose herein authorized; (c) to act as trustee; and (d) in general, to exercise any, all, and every power, including trust powers, which a nonprofit corporation organized under the laws of New Mexico for the foregoing purposes can be authorized to exercise. The College provides office space, personnel, utilities, and general operating expenses to the Foundation. A copy of audited financial statements for the Foundation can be obtained by writing to Santa Fe Community College Foundation at 6401 Richards Ave., Santa Fe, NM.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Financial Statement Presentation

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

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

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, the accompanying financial statements present the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows of the Santa Fe Community College and its discretely presented component unit. This financial statement presentation provides a comprehensive, entity-wide perspective of the College’s assets, liabilities, and net position, revenues, expenses, and changes in net position, and cash flows, and replaces the fund-group perspective that was previously required.

The impact of adopting the above standards resulted in adding management’s discussion and analysis as required supplementary information; adding a direct method Statement of Cash Flows; classifying net position as net investment in capital assets, restricted and unrestricted; classifying the Statement of Net Position between current and noncurrent assets and liabilities and classifying revenue and expenses as operating and non-operating.

During the year ended June 30, 2015, the College adopted Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 (“GASB 68”)*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68 (“GASB 71”)*. Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Financial Statement Presentation (continued)

These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the implementation of GASB 68, the government recognized a net pension liability (“NPL”) measured as of a date no later than the end of its prior fiscal year. If the government employer makes a contribution to the pension plan subsequent to the measurement date but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources. In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate. At transition to Statement 68, Statement 71 requires the employer or non-employer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government’s fiscal year, thus avoiding possible understatement of an employer or non-employer contributing entity’s beginning net position and expense in the initial period of implementation. This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects.

4. Basis of Accounting

For financial reporting purposes, the College is considered a special purpose government engaged only in business- type activities. Accordingly, the College’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Basis of Accounting (continued)

Because the Foundation does not participate in such a pension, the implementation of GASB 68 is not expected to have a significant impact on the Foundation's financial statements.

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

5. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with original maturities of ninety days or less to be cash equivalents. Immediate cash needs are met with resources deposited at the College's bank. Restricted cash and cash equivalents represent amounts that are externally restricted to make debt service payments.

6. Investments

Investments are stated at their market value at date of gift, or at cost, if purchased by the College. Cash resources not needed to meet immediate needs are invested with the New Mexico State Treasurer's Office short-term investment pool. Amounts invested with the State Treasurer are readily available to the College when needed and are recorded at an amount which approximates fair value. The College considers cash deposited at the State Treasurer's Office to be investments.

7. Receivables

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

8. Private Gifts, Revenue and Pledges

The Foundation records pledges receivable as assets and revenue if the pledges are evidenced by unconditional promises to give those items in the future. The Foundation considers an executed charitable gift or endowment agreement or a signed pledge card from a donor an unconditional promise. Noncash contributions are valued at estimated fair values at date of donation.

9. Inventories

Inventories consist primarily of bookstore inventory, food service inventory and consumable supplies and are stated at the lower of cost (first-in, first-out method) or market.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Capital Assets

Capital assets, which include property, plant, equipment, software, and library holdings, are reported at historical cost or at fair value at date of donation, less accumulated depreciation. Renovations to buildings, infrastructure, and land improvements are capitalized when they significantly increase the value or extend the useful life of the structure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are not capitalized. For equipment and software, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the asset, generally 50 years for buildings, 20 years for infrastructure and leasehold improvements, 5 years for library books and 5 to 20 years for equipment, furnishings and software. The College has no internally developed software. Capital assets received by the Foundation are immediately transferred to the College for capitalization and depreciation.

11. Art Collections

Both the College and the Foundation maintain works of art and similar assets that are (a) held for public exhibition, and education in furtherance of public service rather than financial gain, (b) protected, kept unencumbered, cared for, and preserved, and (c) subject to an organizational policy that requires the proceeds of items that are sold to be used to acquire other items for collections. Accordingly, art collections are capitalized but not depreciated by the College or the Foundation.

12. Unearned Revenue and Expenses

Revenue for each academic session is reported within the fiscal year in which the session is predominantly conducted. Revenues for the summer session of 2016 are shown as unearned income as well as certain contracts and grants received in advance. Revenue is recognized to the extent expenses are incurred for contracts and grants.

13. Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds payable, the unamortized portion of bond premiums, and compensated absences that will not be paid within the next fiscal year.

14. Compensated Absences

Accumulated annual leave is reported as a liability. Annual leave is provided to full and part-time regular employees. Up to thirty days annual leave may be accumulated and carried over after August 31st of each year.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. Classification of Net Position

The College's net position is classified as follows:

Net Investment in Capital Assets. This represents the College's total investment in capital assets, net of accumulated depreciation, amortization and outstanding debt obligations 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.

Restricted Net Position – Expendable. Restricted expendable net position include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted Net Position – Nonexpendable. Nonexpendable restricted net position consist of endowment funds in which the donors 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, which may either be expended or added to principal. All amounts that are restricted in the statement of net position are considered restricted by enabling legislation.

Unrestricted Net Position. Unrestricted net position represent resources derived from student tuition and fees, state appropriations, district mill levies, investment income, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for faculty and staff.

16. Revenue

State Appropriations. Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year. State appropriations are recognized as revenue in the first year for which they are appropriated.

17. Revenue Recognition for Derived Tax Revenues

Mill Levies. College mill levies attach as an unsubordinated enforceable lien on property as of January 1 of the assessment year. Current year taxes are levied on November 1 and are due in equal semiannual installments on November 10 and April 10 of the next year. Taxes become delinquent 30 days after the due dates unless the original levy date has been formally extended. The mill levy is collected by the County Treasurer and is remitted to the College. The revenue on the mill levy is recognized at the date the mill is levied. Based on historical collections, no allowance for uncollectible accounts has been recorded. Revenue from the operational mill levy is recorded in the period for which the lien is levied. A separate mill levy for the retirement of debt is collected and remitted to the College. Following the symmetrical recognition concept of GASB Statements No. 33 and 36, the College recorded an estimated receivable of \$2,063,492 as of June 30, 2016 based on levied tax information received from the County Treasurer's offices.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

18. Classification of Revenues

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

Operating Revenues. Operating revenues include activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) federal, state, and local grants and contracts, and (4) sale of educational services. Contract and grant revenues are recognized when the underlying exchange transaction has occurred – that is, when all eligibility requirements have been met.

Non-Operating Revenues. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions and other revenue sources that are defined as non-operating revenues 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, such as state appropriations, mill levies, Pell grant receipts and investment income. Gifts and contributions are recognized when all applicable eligibility requirements have been met. Revenue from both the operational and retirement of debt on the General Obligation mill levy is recognized when earned by the county. Investment income is recognized in the period in which it was earned.

When both restricted and unrestricted resources are available for use, generally it is the institution's policy to use the restricted resources first.

Scholarship Discounts and Allowances. Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by the student and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the institution's financial statements. The scholarship allowance at June 30, 2016 totaled \$2,126,565.

19. Classification of Expenses

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

Operating Expenses. Operating expenses include activities that have the characteristics of an exchange transaction, such as (1) employee salaries, benefits, and related expenses; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, supplies and other services; (4) professional fees; and (5) depreciation expenses related to College capital assets. Operating expenses are presented by program functions in the accompanying financial statements.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Operating Expenses. Non-operating expenses include activities that have the characteristics of non-exchange transactions, such as interest and related expenses on debt and bond issuances that are defined as non-operating expenses by GASB Statement No. 9 and GASB Statement No. 34.

20. Tax Status

As a state community college, the College's income is exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code to the extent the income is derived from essential governmental functions. The Foundation is a nonprofit organization described as a public charity under Section 509(a)(3) of the Internal Revenue Code and is exempt from federal and state income taxes under Section 501(c)(3). The Foundation had no material unrelated business income during fiscal year 2016, therefore, no provision for income taxes is included in the financial statements.

21. Management's Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates. The most significant estimates affecting the College's financial statements are the allowance for uncollectible accounts, the estimate of useful lives of depreciable assets, net pension liability calculations, and the current portion of accrued compensated absences.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Operating budgets for the College are submitted for approval to the Board of Directors, the New Mexico Higher Education Department (HED) and the State Budget Division of the Department of Finance and Administration (DFA). Similarly, separate legislative budget requests are submitted to the Board of Directors, HED and DFA for inclusion in the State of New Mexico Executive Budget for consideration of appropriations by the state legislature. The budgets are prepared on the fund accounting principles which were applicable prior to GASB Statements No. 34, 35, 37 and 38 (Budgetary Basis). By contrast, the College prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP Basis).

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budget revision requests, other than transfers among line items within a category, are subject to joint approval by the HED and DFA.

Procedures for Approval of Operating Budgets:

1. Each institution will submit a governing board approved operating budget to the HED staff by May 1st.
2. The HED meets about the middle of June and acts on the proposed fiscal year operating budgets submitted for review and recommendation.
3. The budgets as approved by the HED are transmitted to the Budget Division of DFA for official and final approval prior to July.

Pages 48 through 51 of this report present a comparison of actual (budgetary basis) operations to the final revised and approved operating budget. Reconciliations are presented for differences between budgetary basis and GAAP basis.

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes authorize the investment of funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts and United States Government obligations. Management of the College is not aware of any investments that did not properly follow State investment requirements as of June 30, 2016.

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

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

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

Custodial Credit Risk – Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2016, \$13,453,662 of the College's bank balance of \$12,867,344 was exposed to custodial credit risk. \$11,148,981 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the College's name and \$2,304,681 was uninsured and uncollateralized.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

	Bank of Albuquerque	FNB	Wells Fargo Bank	Total
Amount of deposits	\$ 7,685,674	29,245	6,267,988	13,982,907
FDIC coverage	<u>(250,000)</u>	<u>(29,245)</u>	<u>(250,000)</u>	<u>(529,245)</u>
Total uninsured public funds	7,435,674	-	6,017,988	13,453,662
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the College's name	<u>5,401,217</u>	<u>-</u>	<u>5,747,764</u>	<u>11,148,981</u>
Uninsured and uncollateralized	2,034,457	-	270,224	2,304,681
Collateral requirement (50%)	3,717,837	-	3,088,994	6,806,831
Pledged securities	<u>5,401,217</u>	<u>-</u>	<u>5,747,764</u>	<u>11,148,981</u>
Over (under) collateralization	<u>\$ 1,683,380</u>	<u>-</u>	<u>2,658,770</u>	<u>4,342,150</u>

The collateral pledged is listed on Schedule V of this report. The types of collateral are limited to direct obligations of the United States Government and all bonds issued by any agency, district, or political subdivision of the State of New Mexico.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Beginning Cash and Cash Equivalents

The College considers all instruments with an original maturity of 90 days or less to be cash equivalents for the purpose of presenting the statement of cash flows.

Reconciliation of Deposits and Investments to the Statement of Net Position	
Deposits	\$ 13,982,907
Total deposits and investments	13,982,907
Petty cash	71,118
Subtract reconciling items	(1,073,090)
Total net deposits and investments	\$ 12,980,935
Statement of Net Position	
Cash and cash equivalents	\$ 6,460,917
Restricted cash and cash equivalents	6,267,988
Agency cash	252,030
Cash and cash equivalents and Investments, end of year per statement of net position	\$ 12,980,935

NOTE 4 – ACCOUNTS RECEIVABLE

The College's accounts receivable at June 30, 2016 represent revenues earned from student tuition and fees, loans, advances to students, local tax levy, federal government grants and contracts, and State of New Mexico agencies that include pass through federal and state grants. All amounts, except for student receivables, are expected to be collected within sixty days after year-end. An allowance for uncollectible accounts has been established for student accounts judged to be uncollectible due to the age of the receivables. Also, there is an allowance set up for other miscellaneous receivables that are deemed uncollectible. A schedule of receivables and allowance for uncollectible accounts is as follows:

Accounts receivable, students	\$ 1,981,049
Grants and contracts	2,330,798
Mill levy	2,063,492
Other	740,398
Total accounts receivable	7,115,737
Less allowance for uncollectible accounts	(1,933,075)
Total accounts receivable, net	\$ 5,182,662

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 – ACCRUED EXPENSES

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

Accrued salaries payable	\$	531,783
Accrued benefits payable		579,514
Accrued payroll taxes		179,572
Gross receipts tax		2,413
Total accrued expenses	\$	<u>1,293,282</u>

NOTE 6 – CAPITAL ASSETS

The following table summarizes the changes in capital assets during the fiscal year ended June 30, 2016, as reported in the Statement of Net Position. Construction in progress, artwork, and land are not subject to depreciation.

	Balance June 30, 2015	Additions/ Reclassifications	Transfers	Retirement/ Reclassifications	Balance June 30, 2016
Capital assets not being depreciated					
Construction in progress	19,761	-		19,761	-
Artwork	\$ 150,159	-	-	-	150,159
Land	5,868,799	-	-	-	5,868,799
	<u>\$ 6,018,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,018,958</u>
Other capital assets					
Land and Leasehold Improvements	\$ 3,844,156	-	-	-	3,844,156
Buildings	106,459,538	19,761	-	-	106,479,299
Infrastructure	14,516,050	70,799	-	-	14,586,849
Library books	1,263,127	18,810	-	12,933	1,269,004
Training Center	313,805	-	-	-	313,805
Equipment, Furnishings, & Software	9,463,147	483,382	-	526,646	9,419,883
	<u>135,859,823</u>	<u>592,752</u>	<u>-</u>	<u>539,579</u>	<u>135,912,996</u>
Less accumulated depreciation for					
Land and Leasehold Improvements	3,386,290	64,555	-	-	3,450,845
Buildings	26,566,623	2,179,250	-	-	28,745,873
Infrastructure	5,018,572	550,676	-	-	5,569,248
Library books	1,260,158	5,162	-	12,933	1,252,387
Equipment, Furnishings, & Software	6,268,518	775,281	-	512,290	6,531,509
	<u>42,500,161</u>	<u>3,574,924</u>	<u>-</u>	<u>525,223</u>	<u>45,549,862</u>
Other capital assets, net	<u>\$ 93,359,662</u>	<u>(2,982,172)</u>	<u>-</u>	<u>14,356</u>	<u>90,363,134</u>

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – CAPITAL ASSETS

Capital assets not being depreciated	6,018,958	-	-	-	6,018,958
Other capital assets at cost	135,859,823	592,752	-	539,579	135,912,996
	<u>141,878,780</u>	<u>592,753</u>	<u>-</u>	<u>539,579</u>	<u>141,931,954</u>
Less accumulated depreciation	42,500,161	3,574,924	-	525,223	45,549,862
Capital assets, net	<u>\$ 99,378,619</u>	<u>(2,982,171)</u>	<u>-</u>	<u>14,356</u>	<u>96,382,092</u>

The following table summarizes the changes in capital assets during the fiscal year ended June 30, 2016, as reported in the statement of Fiduciary assets and Liabilities:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Capital assets, depreciated:				
Training center	\$ 313,805	-	-	313,805.00
Equipment, furnishings, and software	<u>1,291</u>	<u>-</u>	<u>-</u>	<u>1,291</u>
Total capital assets, depreciated	315,096	-	-	315,096
Accumulated depreciation				
Training center	258,571	22,692	-	281,263
Equipment, furnishings, and software	1,291	-	-	1,291
Total accumulated depreciation	<u>259,864</u>	<u>22,692</u>	<u>-</u>	<u>282,554</u>
Net book value	<u>\$ 55,234</u>	<u>22,692</u>	<u>-</u>	<u>32,542</u>

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; each participating employee was required to contribute 1.25% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Santa Fe Community College's contributions to the RHCA for the years ended June 30, 2016, 2015, and 2014 were \$685,893 and \$435,177, \$449,524, respectively, which equal the required contributions for each year.

NOTE 8 – PENSION PLAN– EDUCATIONAL RETIREMENT BOARD

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

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

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

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

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

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

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 – PENSION PLAN– EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

Contributions. The contribution requirements of plan members and the College are established in state statute under Chapter 10, Article 11, and NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2016 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the College were \$3,102,788 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2016, the College reported a total liability of \$48,097,589 for their proportionate share of the net pension liability. The College's proportion of the net pension

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 – PENSION PLAN– EDUCATIONAL RETIREMENT BOARD (CONTINUED)

liability is based on the employer contributing entity’s percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the College’s proportion was .78801 percent, which was an increase of .01028 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the College recognized a total pension expense of \$3,224,394. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(891,685)
Changes in assumptions	1,654,332	-
Net difference between projected and actual earnings on pension plan investments	-	(216,449)
Changes in proportion and differences between the College's contributions and proportionate share of contributions	312,652	(2,152,723)
The College's contributions subsequent to the measurement date	<u>2,942,462</u>	<u>-</u>
	<u>\$ 4,909,446</u>	<u>(3,260,857)</u>

\$2,942,462 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date of June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2017	\$ (682,647)
2018	(676,305)
2019	(603,005)
2020	668,080
2021	-

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 – PENSION PLAN– EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Actuarial assumptions: As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. Specifically, the liabilities measured as of June 30, 2014 incorporate the following assumptions:

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

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

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

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 – PENSION PLAN– EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

Sensitivity of the College’s proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2014. In particular, the table presents the (employer’s) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	<u>1% Increase</u>	<u>Current Discount Rate</u>	<u>1% Decrease</u>
College's proportionate	<u>8.75%</u>	<u>7.75%</u>	<u>6.75%</u>
share of the net pension liability	\$ <u>34,134,277</u>	<u>48,097,589</u>	<u>64,718,519</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2015 and June 30, 2014 which are publicly available at www.nmerb.org.

Payables to the pension plan. Santa Fe Community College remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2016, the College owed the ERB \$196,432 for the contributions withheld in the month of June 2016.

NOTE 9 – ALTERNATIVE RETIREMENT PROGRAM

An amendment to the Educational Retirement Act permits the establishment of an Alternative Retirement Plan (ARP) for Santa Fe Community College staff after October 1, 1999, who are eligible to participate in the Educational Retirement Act Plan. Certain employees of the College elected to participate in the two available alternative retirement plans, TIAA-CREF and Fidelity. For those employees participating in the ARP, the College contributed 10.15% of the gross covered salary for employees earning \$20,000 or less, and 10.15% of the gross covered salary of employees earning more than \$20,000 annually. In addition, the College is required to contribute 3% of the gross covered salary to the Educational Retirement Board pension plan (See Note 8). For the year ended June 30,

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 – ALTERNATIVE RETIREMENT PROGRAM (CONTINUED)

2015, the Santa Fe Community College contributed \$19,316 to TIAA-CREF.

NOTE 10 – GROUP INSURANCE PROGRAM

The College has general liability insurance coverage with Travelers. The policy covers property, general liability, inland marine, auto, crime and fidelity. The College also has a \$10,000,000 per occurrence and in aggregate umbrella coverage. The policy includes the Training Center and the Foundation. The policy period is from July 1, 2015 to June 30, 2016.

NOTE 11 – RISK MANAGEMENT

The College is liable or contingently liable in connection with certain claims that arise in the normal course of its activities. It is the opinion of management that uninsured losses resulting from these claims would not be material to the College's financial position or operations.

The College currently is party to various litigation and other claims in the ordinary course of business. The College has property and liability insurance coverage with Coregis Insurance Company and workers compensation insurance coverage with Mountain States Mutual. The College believes that the outcome of all pending and threatened litigation will not have a material adverse effect on the financial position or operations of the College.

Federal grants received by the College are subject to audit by the grantors. In the event of noncompliance with funding requirements, grants may be required to be refunded to the grantor. College management estimates that such refunds, if any, will not be significant.

There are no amounts expected to be paid in excess of insurance coverage as of June 30, 2016.

NOTE 12 – COMMITMENTS

At June 30, 2016, the College had no outstanding material commitments.

NOTE 13 – COMPENSATED ABSENCES

Accumulated unpaid vacation is accrued when incurred. Employees entitled to earn vacation pay earn it at various rates based on length of employment. Up to 240 hours of vacation may be accrued and paid out upon termination. Sick leave is not paid out upon termination; accordingly, no liability for sick leave is recorded by the College.

The College had a liability for accrued vacations as of June 30, 2016 as follows:

	Balance 30-Jun-15	Additions	Deletions	Balance 30-Jun-16	Current
Accrued compensated absences	<u>\$1,174,153</u>	<u>1,010,890</u>	<u>894,950</u>	<u>1,290,093</u>	<u>1,046,136</u>

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 14 – BONDS PAYABLE

On August 3, 2010 the voters of the district approved the issuance of general obligation bonds in the amount of 35,000,000 for the purpose of erecting and furnishing, constructing, purchasing, remodeling and equipping buildings and utility facilities and making other real property improvements or for purchasing grounds for projects as stated in the approved resolution. Subsequent to voter approval, the board approved the sale of Bond Series 2010 in the amount of \$ 20,000,000 and Series 2013 in the amount of \$ 15,000,000. The bonds constitute general obligation bonds of the College, payable from general ad valorem taxes which shall be levied on all taxable property in the district in an amount sufficient to produce a sum equal to one year's interest on all bonds then outstanding, together with an amount sufficient to pay the principal on all bonds as they mature. This levy shall not exceed 5% of assessed valuation, and the College is currently at less than one percent (1%) of assessed valuation. The 2013 bonds have an early redemption provision which allows the College to retire outstanding bonds after 08-01-22 without penalty in incremental amounts of \$5,000 by paying the bonds being retired plus accrued interest to the date of retirement.

	Series 2009	Series 2010	Series 2013
Original Issue: \$	15,000,000	20,000,000	15,000,000
Principal:	August 1	August 1	August 1
Interest:	February 1	February 1	February 1
	August 1	August 1	August 1
Interest Rates:	1.00% - 2.00%	2.00% - 3.00%	2.00% - 4.00%
Maturity Date:	8/1/2015	8/1/2020	8/1/2024

The annual debt service requirements to maturity, including principal and interest for Bonds Series 2010 and Series 2013 long-term debt as of June 30, 2016 are as follows:

Bond Series 2010 Year Ending June 30,	Principal Payments	Interest	Total Debt Services
2017	\$ 3,900,000	300,726	4,200,726
2018	3,580,000	221,451	3,801,451
2019	1,700,000	160,988	1,860,988
2020	2,650,000	107,675	2,757,675
2021	2,485,000	37,275	2,522,275
Totals	\$ 14,315,000	828,115	15,143,115

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 14 – BONDS PAYABLE (CONTINUED)

Bond Series 2013 Year Ending June 30,	Principal Payments	Interest	Total Debt Services
2017	\$ 1,000,000	276,000	1,276,000
2018	1,000,000	236,000	1,236,000
2019	1,000,000	196,000	1,196,000
2020	1,000,000	156,000	1,156,000
2021	1,000,000	116,000	1,116,000
2022-2026	3,800,000	158,000	3,958,000
Totals	\$ 8,800,000	1,138,000	9,938,000

NOTE 15 – OPERATING LEASE

The College leases copiers under an operating lease. At June 30, 2016, future minimum lease payments applicable to the operating lease are as follows:

Operating Lease Year Ending June 30	
2017	\$ 184,041
2018	<u>46,010</u>
	<u>\$ 230,051</u>

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 16 – COMPONENT UNIT, SANTA FE COMMUNITY COLLEGE FOUNDATION

Cash and Temporary Investments

Deposits	\$	1,222,629
Investments		6,973,163
Total deposits and investments		<u>8,195,792</u>
Subtract reconciling items		<u>(3,715)</u>
Total net deposits and investments	\$	<u><u>8,192,077</u></u>
Statement of Net Position		
Cash and cash equivalents	\$	1,218,914
Short-term investments		<u>6,973,163</u>
Cash and cash equivalents and investments end of year per statement of net position	\$	<u><u>8,192,077</u></u>

NOTE 17 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure of certain information including:

- A. Deficit equity. The College does not maintain a deficit equity position.
- B. Excess of expenditures over appropriations. The College has no functions that display overspent budget authority.
- C. Designated cash appropriation in excess of available cash balances. The College is not aware of any designated cash appropriations in excess of available balances.

NOTE 18 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2016, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 12, 2016, which is the date on which the financial statements were available to be issued.

NOTE 19 – SUBSEQUENT PRONOUNCEMENTS

In February 2015, GASB Statement No. 72 *Fair Value Measurement and Application*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of*

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 19 – SUBSEQUENT PRONOUNCEMENTS (CONTINUED)

GASB Statements 67 and 68, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not affect the College's financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The College expects the pronouncement to have a material effect on the financial statements.

In June 2015, GASB Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The College expects the pronouncement to have a material effect on the financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The College is still evaluating how this pronouncement will affect the financial statements.

NOTE 20 – CONCENTRATIONS

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

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2016

New Mexico Educational Retirement Board Pension Plan
Schedule of Ten Year Tracking Data*
(Dollars in Thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
College's Proportion of the Net Pension Liability (Asset)	0.78800%	0.74256%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
College's Proportionate Share of Net Pension Liability (Asset)	\$ 44,962	48,098	-	-	-	-	-	-	-	-
College's Covered-Employee Payroll	\$ 22,556	20,274	-	-	-	-	-	-	-	-
College's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	199.33%	237.24%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.54%	63.97%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*The amounts presented for each fiscal year were determined as of June 30, 2015

STATE OF NEW MEXICO
 SANTA FE COMMUNITY COLLEGE
 SCHEDULE OF THE COLLEGE SYSTEM CONTRIBUTIONS
 June 30, 2016

New Mexico Educational Retirement Board Pension Plan
 Schedule of Ten Year Tracking Data
 (Dollars in Thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually Required Contribution	\$ 2,992	3,159	-	-	-	-	-	-	-	-
Contributions in Relation to the Contractually Required Contribution	2,992	3,159	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	-

Increase (Decrease) in Pension Expense over Recognition Periods

Year	Total Amount Deferred	Amortization Years	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2015	\$ 4,278	5	1,088	1,088	1,080	1,022						
2016	\$ 2,482	5		1,354	1,258	538	(668)					
2017	-	5										
2018	-	5										
2019	-	5										
2020	-	5										
2021	-	5										
2022	-	5										
2023	-	5										
2024	-	5										
	<u>\$ 6,760</u>			<u>\$ 2,442</u>	<u>\$ 2,338</u>	<u>\$ 1,560</u>	<u>\$ (668)</u>	-	-	-	-	-

**SANTA FE COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

Changes of benefit terms.

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

Changes of assumptions.

Per the ERB FY14 annual audit Management Discussion and Analysis, ERB conducts an actuarial experience study every two years. The actuarial experience study, presented to the Board of Trustees on April 26, 2013, compiled data for the six-year period ending June 30, 2013.

1. Fiscal year 2014 and 2013 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 4.75% to 4.25%
 - b. Lower payroll growth from 3.75% to 3.50%
 - c. Minor changes to demographic assumptions
 - d. Population growth per year from 0.75% to 0.50%

2. Assumptions that were not changed:
 - a. Investment return will remain at 7.75%
 - b. Inflation will remain at 3.00%

See also the *Actuarial Assumptions* subsection of the financial statement note disclosure *Pension Plan – Educational Retirement Board, General Information on the Pension Plan*.

SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
COMBINED REVENUES AND EXPENDITURES BUDGET COMPARISONS -
UNRESTRICTED AND RESTRICTED - ALL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Tuition	7,119,325	6,899,740	7,030,067	130,327
State government appropriation	18,518,998	17,925,554	15,390,679	(2,534,875)
Local government appropriation	22,135,451	22,883,297	23,014,406	131,109
Federal government appropriation	30,318,692	33,385,981	16,745,573	(16,640,408)
State government contracts and grants	4,152,643	4,272,839	1,958,522	(2,314,317)
Local government contracts and grants	200,964	200,964	136,258	(64,706)
Private gifts, grants, and contracts	374,314	374,314	727,409	353,095
Sales and services	4,067,202	3,498,154	3,918,102	419,948
Other	103,371	117,367	332,480	215,113
Total revenues	<u>86,990,960</u>	<u>89,558,210</u>	<u>69,253,496</u>	<u>(20,304,714)</u>
Expenditures:				
Instruction	35,388,763	35,102,063	22,675,637	(12,426,426)
Academic support	3,595,395	3,923,572	4,342,500	418,928
Student services	3,933,654	3,732,884	3,980,004	247,120
Institutional support	6,338,563	6,473,319	6,288,222	(185,097)
Operation and maintenance of plant	4,493,984	4,234,883	4,195,854	(39,029)
Student social and cultural activities	117,250	132,766	104,998	(27,768)
Public services	8,354,262	7,901,736	6,783,068	(1,118,668)
Internal services	10,000	10,000	103,444	93,444
Student aid, grants, stipends and Independent operations	12,762,610	16,137,954	9,840,651	(6,297,303)
Auxiliary enterprises	2,663,996	2,234,702	2,321,835	87,133
Capital outlay	555,349	1,080,235	1,000,189	(80,046)
Building renewal and replacements	3,392,918	147,621	-	(147,621)
Retirement of indebtedness	5,335,126	5,335,126	5,120,293	(214,833)
Total expenditures	<u>86,941,870</u>	<u>86,446,861</u>	<u>66,756,695</u>	<u>(19,690,166)</u>
Net Transfers to (from)	<u>337,569</u>	<u>527,569</u>	<u>-</u>	<u>(527,569)</u>
Change in net assets (budgetary basis)	<u>386,659</u>	<u>3,638,918</u>	<u>2,496,801</u>	<u>(614,548)</u>
Beginning Net Position	<u>7,603,043</u>	<u>9,255,283</u>	<u>9,255,283</u>	
Ending fund balance	<u>\$ 7,989,702</u>	<u>\$ 12,894,201</u>	<u>\$ 11,752,084</u>	<u>\$ (614,548)</u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
UNRESTRICTED CURRENT FUNDS -
SUMMARY OF INSTRUCTION AND GENERAL
REVENUES AND EXPENDITURES BUDGET COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Tuition	7,002,075	6,766,974	6,897,038	130,064
Miscellaneous fees	-	-	-	-
Federal government appropriations	-	-	-	-
State government appropriations	10,488,600	10,425,770	10,399,400	(26,370)
Local government appropriation	16,544,000	16,998,568	17,005,974	7,406
Federal government contracts and grants	-	-	-	-
State government contracts and grants	-	-	-	-
Local government contracts and grants	-	-	-	-
Private gifts, grants, and contracts	-	-	-	-
Land and permanent fund	-	-	-	-
Sales and services	294,799	234,319	276,728	42,409
Other	103,371	117,367	345,482	228,115
Total revenues	<u>34,432,845</u>	<u>34,542,998</u>	<u>34,924,622</u>	<u>381,624</u>
Expenditures:				
Instruction	16,366,651	16,079,951	16,256,594	176,643
Academic support	2,654,103	2,982,280	2,892,425	(89,855)
Student services	3,629,084	3,428,314	3,487,864	59,550
Institutional support	6,338,563	6,473,319	6,244,500	(228,819)
Operation and maintenance of plant	4,493,984	4,234,883	4,191,837	(43,046)
Total expenditures	<u>33,482,385</u>	<u>33,198,747</u>	<u>33,073,220</u>	<u>(125,527)</u>
Net Transfers to (from)	<u>(940,053)</u>	<u>(1,212,822)</u>	<u>(1,212,822)</u>	-
Change in net assets (budgetary basis)	<u>10,407</u>	<u>131,429</u>	<u>638,580</u>	<u>507,151</u>
Beginning Net Position	<u>1,010,134</u>	<u>1,072,752</u>	<u>1,072,752</u>	-
Ending fund balance	<u>\$ 1,020,541</u>	<u>\$ 1,204,181</u>	<u>\$ 1,711,332</u>	<u>\$ 507,151</u>

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
RESTRICTED CURRENT FUNDS -
SUMMARY OF INSTRUCTION AND GENERAL
REVENUES AND EXPENDITURES BUDGET COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Federal government appropriations	-	-	-	-
State government appropriations	-	-	-	-
Local government appropriation	-	-	-	-
Federal government contracts and grants	18,995,416	18,995,416	6,966,595	
State government contracts and grants	697,280	697,280	816,772	119,492
Local government contracts and grants	200,964	200,964	50,022	(150,942)
Private gifts, grants, and contracts	374,314	374,314	312,720	(61,594)
Land and permanent fund	-	-	-	-
Sales and services	-	-	-	-
Other	-	-	-	-
Total revenues	20,267,974	20,267,974	8,146,109	(93,044)
Expenditures:				
Instruction	19,022,112	19,022,112	6,419,043	(12,603,069)
Academic support	941,292	941,292	1,450,075	508,783
Student services	304,570	304,570	492,140	187,570
Institutional support	-	-	43,722	43,722
Operation and maintenance of plant	-	-	4,017	4,017
Total expenditures	20,267,974	20,267,974	8,408,997	(11,858,977)
Net Transfers to (from)	-	-	-	-
Change in net assets (budgetary basis)	-	-	(262,888)	(262,888)
Beginning Net Position				
Ending fund balance	\$ -	\$ -	\$ (262,888)	\$ (262,888)

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
RECONCILIATION OF BUDGETARY BASIS TO FINANCIAL STATEMENT BASIS
UNRESTRICTED AND RESTRICTED
ALL OPERATIONS
JUNE 30, 2016

Total Unrestricted and Restricted Revenues:	
Budgetary Basis	\$ 69,253,496
Reconciling Items:	
Scholarship allowance (not in budgetary basis)	(2,126,565)
Total reconciling items	<u>(2,126,565)</u>
GAAP Basis	<u>\$ 67,126,931</u>
Basic Financial Statements	
Operating revenues	\$ 22,259,635
Non-operating revenues	<u>44,867,296</u>
Total Unrestricted and Restricted Revenues per Financial Statements	<u>\$ 67,126,931</u>
Total Unrestricted and Restricted Expenditures:	
Budgetary Basis	\$ 66,756,695
Reconciling Items:	
Bond Payment (not in financial statements)	(4,640,000)
Scholarship allowance (not in budgetary basis)	(2,126,565)
Capital outlay (not in financial statements)	(472,991)
Direct loans (not in budgetary basis)	(2,570,356)
Other items	2,824,879
Depreciation expense (not in budgetary basis)	3,574,924
Total reconciling items	<u>(3,410,109)</u>
GAAP Basis	<u>\$ 63,346,586</u>
Basic Financial Statements	\$
Operating expenditures	62,866,137
Non-operating expenditures	<u>480,449</u>
Total Unrestricted and Restricted Expenditures per Financial Statements	<u>\$ 63,346,586</u>

SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2016**

	June 30, 2015	Receipts	Disbursements	June 30, 2016
Phi Theta Kappa Club	\$ 466	\$ 3,162	\$ 1,935	\$ 1,693
Club Cuisine	365	-	-	365
Smiles Club	181	226	181	226
American Society of Interior Designers	1,763	-	-	1,763
Clay Club	8,387	18,787	19,648	7,526
Nursing Club	242	492	242	492
LGBT Pride	81	-	-	81
ASL Deaf & Hard of Hearing	535	250	778	7
The Film Club	384	-	-	384
RT Inspiring	80	408	393	95
Solar Club	3,902	-	-	3,902
Kitchen and Bath Club	10	-	-	10
Print Making and Book Art	-	-	-	-
Jewelry Club	74	-	-	74
Student Activities	57	-	-	57
Glass Club	536	2,815	2,274	1,077
Native American Club	295	303	-	598
Traditional Gaming Society	105	-	-	105
Art Club	4	-	-	4
Dreams	75	-	-	75
Figure Club	560	605	905	260
Bondage Breakers Motivational Club	40	-	-	40
Employee Committee	(1,470)	-	-	(1,470)
SUN On-Line	1,875	21,600	13,425	10,050
NMICC	107,108	144,062	131,087	120,083
HJM Reading Materials Study	(750)	-	-	(750)
Higher Education Center	78,469	10,282	88,751	-
Training Center	55,523	-	-	55,523
Film Crew Training	679	-	-	679
Film Production	-	-	-	-
Training Center Entrepreneurship	44,110	-	-	44,110
Higher Learning Center - Training Center	-	-	-	-
Veterans Club	-	5,880	1,234	4,646
Acuaculter and Hydroponics Club	-	357	132	225
NSLS Craft Club	-	100	-	100
ATC (Advanced Techn. Ctr)	(53,587)	53,587	-	-
Total agency fund cash	\$ 250,099	\$ 262,916	\$ 260,985	\$ 252,030
Accounts Receivable	1,404	15,375	8,925	7,854
Capital Assets	55,234	-	22,692	32,542
Less: Accounts Payable	-	15,650	15,908	258
Due to other organizations	\$ 306,737	\$ 262,641	\$ 276,694	\$ 292,168

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2016

Account Name	Type	Component Unit								
		Bond Retirement Bank of Albuquerque	Operational First National Bank of Santa Fe	Payroll Wells Fargo Bank	Operational Wells Fargo Bank	Total	Wells Fargo Bank	Century Bank	Fidelity	Total
Operating Cash Account	Checking	-	-	-	7,352,103	7,352,103	-	-	-	-
Payroll Cash Account	Payroll	-	-	333,571	-	333,571	-	-	-	-
FNB - Operating Account	Checking	-	29,245	-	-	29,245	-	-	-	-
FNB - Bond Retirement	Checking	6,267,988	-	-	-	6,267,988	-	-	-	-
Foundation - Temporary Restricted	Checking	-	-	-	-	-	874,995	-	-	874,995
Foundation - Operating Account	Checking	-	-	-	-	-	356	347,279	-	347,635
Money Market Mutual Funds	Investments	-	-	-	-	-	-	-	6,329,665	6,329,665
Corporate Stock	Investments	-	-	-	-	-	-	-	43,388	43,388
Mutual Funds - Equities	Investments	-	-	-	-	-	-	-	565,732	565,732
Mutual Funds - Bonds	Investments	-	-	-	-	-	-	-	34,378	34,378
Amounts on Deposit		6,267,988	29,245	333,571	7,352,103	13,982,907	875,351	347,279	6,973,163	8,195,793
Outstanding items		-	-	(19,685)	(1,053,405)	(1,073,090)	(3,000)	(716)	-	(3,716)
		<u>6,267,988</u>	<u>29,245</u>	<u>313,886</u>	<u>6,298,698</u>		<u>872,351</u>	<u>346,563</u>	<u>6,973,163</u>	
					Petty Cash	71,118				-
						<u>12,980,935</u>				<u>8,192,077</u>
					Reconciliation to the Statement of Net Position:					
					Cash and cash equivalents	6,460,917				1,218,914
					Restricted cash and cash equivalents	6,267,988				-
					Agency fund cash	252,030				-
					Short-term investments	-				6,973,163
					Total deposits and investments	<u>12,980,935</u>				<u>8,192,077</u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2016**

<u>Security</u>	<u>Location</u>	<u>Maturity</u>	<u>Fair Market Value June 30, 2016</u>
FNMA FNMS (CUSIP 31374CNU6)	Wells Fargo	March 1, 2041	\$ 314,924
FNMA FNMS (CUSIP 3138M1W38)	Wells Fargo	July 1, 2042	5,432,840
FNA 2013-M7 ASQ2	Bank of Albuquerque	March 26, 2018	63,144
FNA 2013-M7 ASQ2	Bank of Albuquerque	March 26, 2018	1,262,872
FNA 2013-M7 ASQ2	Bank of Albuquerque	March 26, 2018	2,525,744
FN AL6163	Bank of Albuquerque	November 1, 2021	311,971
FN AL6163	Bank of Albuquerque	November 1, 2021	613,544
FN AL6163	Bank of Albuquerque	November 1, 2021	623,943
			<u>\$ 11,148,981</u>

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF VENDORS
JUNE 30, 2016

<i>RFB#/RFP# (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
IFBs										
2016-01	Competitive (RFP or RFB)	Adorama Inc.	Winner	\$ 63,000.00	N/A	New York, NY	No	No	Camera Equipment.	N/A
		B&H Photo	Loser		N/A	New York, NY	No	No		N/A
		Filmtools	Loser		N/A	Burbank, CA	No	No		N/A
		AbleCine	Loser		N/A	Burbank, CA	No	No		N/A
		Woodgate Sales	Loser		N/A	Long Branch, NJ	No	No		N/A
RFP										
2016-01	Competitive (RFP or RFB)	Aegisidentity	Winner	\$ 69,050.00	N/A	Englewood, Co	No	No	Identity Management Software Purchase and	N/A
		Alert	Loser		N/A	Fremont, CA	No	No		N/A
RFP										
2016-03	Competitive (RFP or RFB)	PeopleAdmin	Winner	\$ 98,260.09	N/A	Austin, TX	No	No	Talent Management Solution	N/A
		Ellucian	Loser		N/A	Malvern, PA	No	No		N/A
RFP										
P002-16	Competitive (RFP or RFB)	Axiom	Winner	\$ 88,966.00	N/A	Albuquerque, NM	Yes	No	SFCC Annual Audit	N/A
		Ricci & Company LLC	Loser		N/A	Albuquerque, NM	Yes	No		N/A
		RPC	Loser		N/A	Albuquerque, NM	Yes	No		N/A
		Moss Adams	Loser		N/A	Albuquerque, NM	Yes	No		N/A
		CliftonLarsonAllen	Loser		N/A	Albuquerque, NM	Yes	No		N/A

COMPLIANCE SECTION

**INDEPENDENT AUDITOR’S 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**

To the Board Members
Santa Fe Community College
Santa Fe, New Mexico
and
Mr. Tim Keller, 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, the discretely presented component unit and the fiduciary fund of Santa Fe Community College (the “College”), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements, and the budgetary comparisons presented as supplemental information for the year ended June 30, 2016, and have issued our report thereon dated November 8, 2016.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. The results of our tests disclosed no instance of a significant deficiency for the College.

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 which are described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002 for the College.

Santa Fe Community College's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Axiom CPAs and Business Advisors, LLC.
Albuquerque, New Mexico
November 8, 2016

FEDERAL FINANCIAL ASSISTANCE

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board Members
Santa Fe Community College
Santa Fe, New Mexico
and
Mr. Tim Keller, New Mexico State Auditor

Report on Compliance for Each Major Federal Program

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

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

The logo for Axiom, featuring the word "Axiom" in a blue, cursive script font.

Axiom CPAs and Business Advisors
Albuquerque, New Mexico
November 8, 2016

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

	Federal CFDA Number	Program or Grantor Number	Federal Expenditures
U.S. Department of Education			
Direct Programs:			
Student Financial Assistance Cluster:			
PELL Grant	84.063	421201	5,754,562
SEOG	84.007	421401	80,624
TRIO	84.042	411205	34,736
TRIO	84.042	411210	193,028
Title V	84.031S	411021	342,550
Passed through New Mexico			
Public Education Department			
Perkins Re-allocation FY16-17	84.048	411061	4,196
Perkins Re-allocation	84.048	411053	41,917
Vocational Education	84.048A	411050	247,940
Pass through New Mexico			
Higher Education Department			
Adult Basic Education - Basic Grants to States	84.002	411010	219,773
Passed through Northern New Mexico College			
Developing Hispanic-Serving Institutions (HSI) Program -			
Northern Rio Grande Stem	84.031C	411310	261,937
Total US Department of Education			<u>7,181,263</u>
US Department of Defense			
Procurement Technical Assistance			
PTAP	12.002	411120	373,991
PTAP	12.002	411122	113,404
NMSBDC - Federal 2016	12.002	411121	409,992
Total US Department of Defense			<u>897,387</u>
US Small Business Administration			
Small Business Development Center			
US Small Business Administration	59.037	411114	327,700
Total US Small Business Administration			<u>327,700</u>
US Department of Agriculture			
Passed through New Mexico Children's Youth and Families			
Kid's Campus CYFD State NM	10.558	411094	53,030
Total US Department of Agriculture			<u><u>53,030</u></u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

	Federal CFDA Number	Program or Grantor Number	Federal Expenditures
US Department of Labor			
Direct Programs:			
Trade Adjustment Agreement Community College and Career Training			
Statewide Sun Path	17.282	411231	1,294,253
CNM - Sun Path	17.282	411232	527,586
ENMU - Rosewll Sun Path	17.282	411233	341,008
ENMU - Ruidoso Sun Path	17.282	411234	182,161
Mesalands Community College - Sun Path	17.282	411235	198,841
NMSU - Alamogordo Sun Path	17.282	411236	347,216
Santa Fe Community College - Sun Path	17.282	411237	532,469
San Juan College - Sun Path	17.282	411238	349,863
UNM - Gallup Sun Path	17.282	411239	265,171
UNM - Los Alamos Sun Path	17.282	411240	189,189
UNM - Taos Sun Path	17.282	411241	140,667
UNM - Valancia Sun Path	17.282	411242	199,766
Youthbuild Youth At Risk - DOL	17.274	411073	443,726
Youthbuild - DOL	17.274	411077	63,403
TAACCCT - DOL	17.282	411076	132,209
Passed through National Science Foundation			
SimBuilding - NSF	47.076	411015	88,231
NSF - Online Tech Education	47.076	411017	1,264
NMMT - Stem	47.076	411059	16,977
Higher Innovations	47.076	411014	1,274
STEPS Right Direction	47.076	411018	3,553
EPSCoR - NSF	47.08	411071	82,053
Total Department of Labor			5,400,880
US Department of Energy			
Passed through Regional Development Corporation			
Regional Development Corporation	81.104	411370	37,986
CAU - Microgrid Activities	81.117	411019	-
Total Department of Energy			37,986
Corporation for National and Community Service			
Passed through New Mexico			
AARP - WESI Back to Work 50+	94.019	411027	55,228
AARP - WESI Back to Work 50+ (2)	94.019	411028	33,250
Total Corporation for National and Community Service			88,478
US Department of Health and Human Services (HHS)			
Partnership for Success	93.243	411452	27,032
Total US Department of Health and Human Service (HHS)			27,032
			14,013,756

**SANTA FE COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

- Note 1** Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as unearned revenues until earned.
- Note 2** The period of availability for federal funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provision in Section H-Period of Performance, Part 3, and Uniform Guidance Compliance Supplement.
- Note 3** This schedule was prepared on the accrual basis of accounting.
- Note 4** Santa Fe Community College is not a direct participant in federally funded student loan programs where it enables them to track outstanding balances of the loans.
- Note 5** Federal Direct loans (CFDA No. 84.268) advanced to students in fiscal year 2016 totaled \$2,570,356. Parent PLUS loans advanced to students in fiscal year 2016 totaled \$2,872.
- Note 6** The College owes no balances under federal loans and is not a party to any federal loan guarantees.
- Note 7** The College is not covered by any federally-funded insurance.
- Note 8** The College expended no federal awards in the form of non-cash assistance for the year ended June 30, 2016.
- Note 9** The College provided federal funds to sub recipients out of its federal programs as follows: CFDA #17.282 - Trade Adjustment Assistance Community College and Career Training CFDA #59.037 - Small Business Development Centers

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$11,656,132
Total expenditures funded by other sources	48,265,088
Total expenditures	<u><u>\$59,921,220</u></u>

**SANTA FE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency identified that are not considered to be material weakness(es)? Yes None Reported

Non-compliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency identified that are not considered to be material weakness(es) Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Grant Guidance Yes No

Identification of Major Program

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Various	Student Financial Assistance Center
Various	R & D Cluster

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee? Yes No

**SANTA FE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

B. FINDINGS—FINANCIAL STATEMENT AUDIT

2016-001 Review and Approval of Journal Entries- (Other Matters)

Condition: In one out five journal entries tested, there was no review or approval of the journal entry. The posted journal entry had total debits and credits amounting to \$66,923.

Criteria: Per NMAC 6.20.2.11(B), each school district shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction. Per proper accounting practices, there should be a segregation of duties for the preparation and posting of journal entries. In addition, all journal entries should be reviewed and approved by a designated member of management and include proper supporting documentation. Also, all journal entries should be posted to the appropriate funds and should be in balance.

Effect: Lack of review of journal entries or lack of supporting documentation can lead to an increased risk of fraud or improper posting of journal entries. The posting of journal entries to the incorrect fund or journal entries that do not balance can cause material misstatement to the financial statements. Journal entries could be posted that are inappropriate and would not be detected or corrected.

Auditor's Recommendation: We recommend that the District implement a policy to ensure all journal entries are supported and reviewed and approved by an appropriate level of management.

Management's Response: The SFCC Office of Finance will swiftly implement procedures that require the appropriate level of management to approve journal entries prior to the posting of the entry into the financial ledgers. The procedure will be reviewed by February 2016 to determine to what extent the finding has been corrected. The Chief Financial Officer and the Controller will be responsible for correcting this finding.

**SANTA FE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

B. FINDINGS—FINANCIAL STATEMENT AUDIT (CONTINUED)

2016-002: Use of Fuel Cards (Other Matters)

Condition: During our review of the fuel card activity the follow exceptions were noted:

- During the review of the fuel card activity for the fiscal year, in eleven of eleven samples tested in the amount of \$220, management did not maintain proper supporting documentation.
- During the review of the fuel card activity, one of eleven samples tested in the amount of \$220 the support did not have the signature of department head's approval.

Criteria: Section 2.2.2 101(8) NMAC,

Effect: Improper use of fuel cards reduces available public monies to be allocated to support the functions of the County.

Cause: It appears that there is no individual departmental review of gas charges and/or a process for completing a monthly analysis on individual employee fuel card usage.

Recommendation: It is recommended that the County implement procedures at the departmental level from which they can evaluate fuel card activity to ensure that any fuel card purchase is used for the intended purpose of the department.

Management Response: The SFCC Office of Finance will implement new internal control procedures that separate duties associated with entering data, custody of cards and reconciliation of receipts and payment. These duties will be separated with in the Office of Finance among the purchasing, accounts payable and general services offices. This finding will be reviewed by February 2016 to determine the extent to which the finding has been corrected. The responsible parties for correcting this finding are the Controller and the Executive Director for Plant Operations Maintenance and Security.

C. FINDINGS—FEDERAL AWARDS

None

**SANTA FE COMMUNITY COLLEGE
PRIOR YEAR FINDINGS
JUNE 30, 2016**

D. PRIOR YEAR FINDINGS

- FS 2012-002 Procurement Procedures – Resolved
- FS 2013-001 Stale Dated Checks – Resolved
- FS 2013-003 Travel and Per Diem – Resolved
- FS 2014-001 Financial Close and Reporting – Resolved
- FS 2015-001 Improper segregation of duties over payroll – Resolved
- FA 2015-001 Noncompliance with Grant Matching Requirement for Salary – Resolved

**SANTA FE COMMUNITY COLLEGE
EXIT CONFERENCE
JUNE 30, 2016**

EXIT CONFERENCE – COLLEGE

The contents of this report and its schedules related to the component unit were discussed on November 8, 2016. The following persons were in attendance:

Santa Fe Community College Foundation Personnel

Linda Siegle, Board President
Jack Sullivan, Board Member
Randy Grissom, President, SFCC
Nick Telles, Vice President of Finance/CFO
Daniel Gutierrez, Executive Director of Human Resources
Yash Morimoto, Assistant Vice President for Planning and Institutional Effectiveness
Scott Whitaker, Director of Financial Aid
Margaret Peters, Vice President for Academic Affairs
Amy Tilley, Executive Budget Director
Steve Barela, Payroll Manager
Jessica Garcia, Assistant Controller
Jeremy Lovato, Interim Chief Information Officer
Barbara Sandoval, Interim Cashiers Manager
Rosella Varela, AP Manager
Gerard de Seve, Grants Accounts Manager
Tom Weeks, Chief Procurement Officer

Axiom CPA and Business Advisors, LLC

Chris Garner, CPA, Partner

EXIT CONFERENCE – FOUNDATION

The contents of this report and its schedules related to the component unit were discussed on November 8, 2016. The following persons were in attendance:

Santa Fe Community College Foundation Personnel

Randy Grissom, President, SFCC
Nick Telles, Vice President of Finance/CFO, SFCC
Richard Abeles, President of the Board of Directors, SFCC Foundation
Deborah Boldt, Executive Director
Kelly Smith, Foundation Database/Fund Development Manager
Rosemary Mulcahy, Treasurer

Axiom CPA and Business Advisors, LLC

Chris Garner, CPA, Partner

The financial statements were prepared from the original books and records and with the assistance of the management of Santa Fe Community College as of June 30, 2016 by Axiom Certified Public Accountants and Business Advisors LLC. The responsibility for these financial statements remains with the College.