

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE**

Annual Financial Report

June 30, 2017



AXIOM

*Certified Public Accountants
and Business Advisors LLC*

**SANTA FE COMMUNITY COLLEGE
TABLE OF CONTENTS
JUNE 30, 2017**

	<u>Page</u>
Official Roster	1
Independent Auditors' Report	2
Management's Discussion and Analysis	5
Financial Section:	
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Statement of Fiduciary Assets and Liabilities	12
Notes to the Financial Statements	13
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability	38
Schedule of Contributions	39
Notes to Required Supplementary Information	40
Supplemental Information:	
Combined Revenues and Expenditures Budget Comparisons -	
Unrestricted and Restricted - All Operations	41
Unrestricted- Instruction and General	42
Restricted – Instruction and General	43
Reconciliation of Budgetary Basis to Financial Statement Basis – Unrestricted	
And Restricted – All Operations	44
Supporting Schedules:	
Schedule of Changes in Fiduciary Assets and Liabilities	45
Schedule of Deposit and Investment Accounts	46
Schedule of Pledged Collateral	47
Compliance Section:	
Independent Auditors' Report on Internal Control over Financial Reporting and on	
Compliance and Other Matters Based on an Audit of Financial Statements Performed	
in Accordance with Government Auditing Standards	48
Independent Auditors' Report on Compliance For Each Major Federal Program and	
Report on Internal Control Over Compliance Required by Uniform Guidance	50
Schedule of Expenditures of Federal Awards	52
Notes to Schedule of Expenditures of Federal Awards	53
Schedule of Findings and Questioned Costs	54
Exit Conference	57

**SANTA FE COMMUNITY COLLEGE
OFFICIAL ROSTER
JUNE 30, 2017**

Name	Title
BOARD MEMBERS	
Jack Sullivan	Vice Chair
Linda Siegle	Chair
Kathy Keith	Member
George Gamble	Secretary
Martha Romero	Member
ADMINISTRATIVE OFFICIALS	
Randy Grissom	President
Nick Telles	Chief Financial Officer
Jeremy Lovato	Chief Information Officer
Margaret Peters	Vice President of Academic and
Amy Pell	Student Affairs
	Controller
SFCC FOUNDATION	
Deborah Boldt	Director of Development/Executive
	Director of SFCC Foundation
BOARD MEMBERS	
Richard Abeles	President
Dr. Carmen Gonzales	Vice President
Patricia McNeill	Secretary
Rosemary Mulcahy	Treasurer

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities, fiduciary activities, and the aggregate discretely presented component unit of Santa Fe Community College (the "College"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements 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, fiduciary activities, and the aggregate discretely presented component unit of the College, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the beginning balance of net position of the Component Unit has been restated due to an unrecorded payable to the Primary Government. The restatement resulted in a decrease in the beginning net position of the Component Unit of \$129,076. Our opinion is not modified with respect to this matter.

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 5 through 8, *Schedule of Proportionate Share of Net Pension Liability* and *Schedule of Contributions* 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. 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, the budget comparison schedules 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, the budget comparison schedules 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2017 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.



Albuquerque, New Mexico
October 31, 2017

**SANTA FE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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

	2017	2016	2015
Assets and Deferred Outflows of Resources			
Current assets	\$ 12,112,738	\$ 12,513,253	\$ 10,397,084
Capital and other assets	101,156,690	102,650,080	104,871,637
Deferred outflows of resources	9,863,512	4,909,446	3,470,696
Total Assets and Deferred Outflows of Resources	<u>123,132,940</u>	<u>120,072,779</u>	<u>118,739,417</u>
Liabilities and Deferred Outflows of Resources			
Current liabilities	10,716,546	11,379,471	10,434,718
Noncurrent liabilities	70,405,615	67,056,698	68,952,297
Deferred inflows of resources	1,938,836	3,260,857	4,756,994
Total Liabilities and Deferred Outflows of Resources	<u>83,060,997</u>	<u>81,697,026</u>	<u>84,144,009</u>
Net Position			
Net investment in capital assets	75,938,067	73,267,092	71,588,145
Restricted	7,003,623	6,267,988	5,153,337
Unrestricted	(42,869,747)	(41,159,327)	(42,146,074)
Total Net Position	<u>\$ 40,071,943</u>	<u>\$ 38,375,753</u>	<u>\$ 34,595,408</u>

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$40,071,943 at the close of the fiscal year. Of this amount, (\$42,869,747) is unrestricted. The large negative unrestricted net position is the result of accounting for net pension liability in accordance with GASB 68. Net pension liability for fiscal year 2017 totals \$56,174,641 and is recorded in noncurrent liabilities.
- Operating cash and cash equivalents increased \$193,128 from \$6,460,917 at the beginning of the year to \$6,654,045 at the end of fiscal year 2017.
- Net Position as shown above for fiscal year 2017 increased by \$1,696,190 to \$40,071,943 in comparison to \$38,375,753 at the end of fiscal year 2016. This is primarily the result of a decrease in operating expenses compared to the prior year.

**SANTA FE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Revenues, Expenses and Changes in Net Position

The following table summarizes the College's revenues, expenses and changes in net position for the fiscal years ended June 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues	\$ 19,920,703	\$ 22,259,635	\$ 15,745,578
Operating Expenses	<u>(61,778,187)</u>	<u>(62,866,137)</u>	<u>(56,293,756)</u>
Operating Loss	(41,857,484)	(40,606,502)	(40,548,178)
Non-Operating Revenues (Expenses)	<u>43,553,674</u>	<u>44,386,847</u>	<u>43,742,050</u>
Change in Net Position	\$ 1,696,190	\$ 3,780,345	\$ 3,193,872

The increase in net position, excluding any restatement items, for fiscal year 2017 was \$1,696,190 compared to an increase in net position of \$3,780,345 for fiscal year 2016.

Analysis of Financial Position and Results of Operations

The tables below present Operating Revenues, Operating Expenses and Non-Operating Revenues and Expenses for the fiscal years ended June 30:

Operating Revenues

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tuition and fees, net	\$ 5,063,840	\$ 4,989,460	\$ 4,931,109
Government grants and contracts	10,907,063	13,248,238	6,359,902
Non-government grants and contracts	797,707	733,968	854,412
Sales and services of educational activities	912,152	693,595	978,372
Auxiliary enterprises	<u>2,239,941</u>	<u>2,594,374</u>	<u>2,621,783</u>
Operating Revenues	\$ 19,920,703	\$ 22,259,635	\$ 15,745,578

Operating revenue for fiscal years 2017 and 2016 totaled \$19,920,703 and \$22,259,635, respectively, or a decrease of \$2,338,932. The primary reason for the decrease is reduced federal grant awards to the College in fiscal year 2017.

Operating Expenses

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Instruction	\$ 22,852,469	\$ 22,956,740	\$ 20,554,470
Academic support	4,365,787	4,229,802	3,346,372
Student services	3,982,586	3,961,733	3,646,250
Institutional support	6,712,558	6,366,934	6,303,146
Operation and maintenance of plant	4,195,650	4,195,853	3,132,027
Student activities	87,381	105,643	80,964
Student aid	6,328,932	7,730,272	6,324,393
Public services	7,071,771	6,963,950	6,843,081
Auxiliary enterprises	2,249,256	2,321,844	2,626,924
Building renewal and replacements	353,371	379,955	108,526
Depreciation and amortization	3,486,283	3,574,924	3,327,603
Internal services	<u>92,143</u>	<u>78,487</u>	<u>-</u>
Operating Expenses	\$ 61,778,187	\$ 62,866,137	\$ 56,293,756

**SANTA FE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Operating expenses for fiscal years 2017 and 2016 totaled \$61,778,187 and \$62,866,137, respectively, or a decrease of \$1,087,950. The primary cause is decreased student financial aid due to a 4% decrease in student enrollment in fiscal year 2017.

Non-Operating Revenues and Expenses

	2017	2016	2015
Federal Pell grant	\$ 5,244,493	\$ 5,749,424	\$ 7,122,664
State appropriations	15,052,643	15,390,679	14,849,955
Local appropriations - operating	17,184,123	17,107,091	16,525,166
Local appropriations - debt service	6,210,311	6,008,432	5,471,423
Interest expense and other related debt	(385,952)	(480,449)	(566,388)
Other income	248,056	611,670	339,230
Non-Operating Revenues and Expenses	\$ 43,553,674	\$ 44,386,847	\$ 43,742,050

Non-operating revenues and expenses decreased by \$833,173 from \$44,386,847 in fiscal year 2016 to \$43,553,674 in fiscal year 2017. The College's state operating appropriation was cut by \$507,335, or 5%, in fiscal year 2017 and was partially offset by increased local property tax revenues of \$278,911 compared to the prior year. The decrease in Federal Pell grants is a result of lower student enrollment from fiscal years 2016 and 2015.

Analysis of Variations Between Original and Final Budget and Resulting Actual

During fiscal year 2017, one budget adjustment was submitted to the Higher Education Department and approved to recognize anticipated changes in revenue and expenditures. Actual revenues for unrestricted instruction and general (I&G) for fiscal year 2017 exceeded budgeted revenues of \$34,102,366 by \$82,806. Actual unrestricted I&G expenses were \$322,509 under budgeted expenditures of \$33,277,354 for fiscal year 2017. I&G net position declined by \$369,279 to \$1,480,915 after transfers of \$1,599,606 at June 30, 2017.

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 fiscal year 2017 local property tax debt service funds were utilized to pay \$4,900,000 in principle and \$385,952 in interest on the bonds. At the end of fiscal year 2017 the College had \$18,430,719 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 2016 legislative session, the College's state appropriation budget was cut by 3.3%.

At the beginning of fiscal year 2017 the state realized a revenue shortfall of approximately \$600 million and a special session was called in October 2016. During that legislative session an additional cut to higher education was made in the amount of 5%.

**SANTA FE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

During the 2017 legislative session, the Governor vetoed the higher education budget and a special session was required. In May 2017, the higher education budget was approved with the College receiving another .8% cut.

The higher education funding formula has been under continuous review over the past several years. This has created challenges in terms of anticipating revenues and preparing budgets. The college will closely monitor the impact funding formula changes will have on forthcoming budgets.

Additionally, state wide enrollments have been declining; however College enrollment has declined only slightly due to the increasing number of Dual Credit 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 of 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, 2017**

	Santa Fe Community College	Component Unit Foundation
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,654,045	1,785,081
Short-term investments	-	7,357,917
Accounts receivable, net	514,337	-
Mill levy receivable	2,053,574	-
Grants receivable	984,895	-
Other receivables	411,113	-
Due from component unit	587,799	-
Inventory	403,414	-
Prepaid expenses	503,561	-
Total current assets	12,112,738	9,142,998
Noncurrent Assets		
Cash and cash equivalents - restricted	7,003,623	-
Capital assets, net	94,153,067	610,083
Total noncurrent assets	101,156,690	610,083
TOTAL ASSETS	113,269,428	9,753,081
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	9,863,512	-
Total deferred outflows of resources	9,863,512	-
Total assets and deferred inflows	123,132,940	9,753,081
LIABILITIES		
Current Liabilities		
Accounts payable	2,063,236	3,428
Accrued expenses	1,501,464	-
Interest payable	215,719	-
Unearned revenue	1,285,825	-
Deposits held in trust	17,774	-
Annuity payable, current portion	-	3,650
Due to primary government	-	587,799
Compensated absences	1,052,528	-
Current maturity of bonds payable	4,580,000	-
Total current liabilities	10,716,546	594,877
Noncurrent Liabilities		
Annuity payable, less current portion	-	13,468
Compensated absences	237,418	-
Bond premium	358,556	-
Bond payable	13,635,000	-
Net pension liability	56,174,641	-
Total noncurrent liabilities	70,405,615	13,468
TOTAL LIABILITIES	81,122,161	608,345
DEFERRED INFLOWS OF RESOURCES		
Pension related	1,938,836	-
Total deferred inflows of resources	1,938,836	-
NET POSITION		
Net Investment in Capital Assets	75,938,067	-
Restricted		
Nonexpendable Scholarship and program	-	5,200,960
Expendable scholarship and programs	-	3,243,892
Expendable Future debt service requirements	7,003,623	-
Unrestricted	(42,869,747)	699,884
Total net position	40,071,943	9,144,736
Total liabilities, deferred inflows of resources and net position	\$ 123,132,940	9,753,081

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
JUNE 30, 2017**

	Santa Fe Community College	Component Unit Foundation
Operating Revenues		
Student tuition and fees (net of scholarship allowances of \$2,165,735)	\$ 5,063,840	-
Governmental grants and contracts	10,907,063	-
Nongovernment grants and contracts	797,707	-
Auxiliary enterprises	2,239,941	-
Gifts	-	673,817
Non-gift revenue	-	400,854
Sales and services of educational activities	912,152	-
Total operating revenues	19,920,703	1,074,671
Operating Expenses		
Instruction	22,852,469	-
Academic support	4,365,787	-
Student services	3,982,586	-
Institutional support	6,712,558	1,250,839
Operation and maintenance of plant	4,195,650	32,351
Student activities	87,381	-
Student aid	6,328,932	-
Internal services department	92,143	-
Public services	7,071,771	-
Auxiliary enterprise expenses	2,249,256	-
Plant operations expense	353,371	-
Depreciation	3,486,283	-
Total operating expenses	61,778,187	1,283,190
Operating loss	(41,857,484)	(208,519)
Nonoperating revenues (expenses):		
Federal pell grants	5,244,493	-
State appropriations, non-capital	13,735,999	-
Mill levy - operations	17,184,123	-
Mill levy - debt services	6,210,311	-
Investment income	-	706,371
Bond interest expense	(385,952)	-
Other income	248,056	-
Net nonoperating revenues	42,237,030	706,371
Income (loss) before capital grants and appropriations	379,546	497,852
State appropriations, capital	1,316,644	-
Additions to permanent endowments	-	145,194
Change in net position	1,696,190	643,046
Net position, beginning of year, as previously reported	38,375,753	8,630,766
Restatement (Note 19)	-	(129,076)
Net position, beginning of year, as restated	38,375,753	8,501,690
Net position, end of year	\$ 40,071,943	9,144,736

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
JUNE 30, 2017**

	Santa Fe Community College
Cash Flows From Operating Activities	
Tuition and fees	\$ 5,063,842
Grants and contracts	13,259,951
Auxiliary enterprise charges	2,239,941
Sales and services of educational activities	912,152
Payment of employees and benefits	(21,376,529)
Payments of vendors	(36,425,404)
Net cash used by operating activities	<u>(36,326,047)</u>
Cash Flows From Noncapital Financing Activities	
State appropriations	13,735,999
Federal pell grants	5,244,493
Mill levies	23,394,434
Other receipts	248,056
Net cash provided by noncapital financing activities	<u>42,622,982</u>
Cash Flows From Capital Financing Activities	
Principal payment on long term debt	(4,900,000)
Interest paid	(385,952)
Capital appropriations	1,316,644
Purchase of capital assets	(1,257,258)
Lease payable	(141,606)
Net cash used by capital financing activities	<u>(5,368,172)</u>
Net increase in cash and cash equivalents	928,763
Cash and cash equivalents, beginning of year	<u>12,728,905</u>
Cash and cash equivalents, end of year	<u>\$ 13,657,668</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (41,857,484)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	3,486,283
Net pension expense	1,800,975
Changes in assets and liabilities	
Accounts receivable, net	1,218,745
Due from component unit	(459,722)
Inventory	(34,877)
Prepaid expenses and other assets	(130,503)
Accrued liabilities	208,035
Unearned revenue	336,438
Accounts payable	(880,917)
Other liabilities	(13,020)
Net cash used by operating activities	<u>\$ (36,326,047)</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2017**

	<u>Agency Funds</u>
Assets	
Current Assets:	
Cash	\$ 292,376
Total current assets	<u>292,376</u>
Non-current assets:	
Capital assets, net of accumulated depreciation of \$305,977	<u>7,828</u>
Total non-current assets	<u>7,828</u>
Total assets	<u>\$ 300,204</u>
Liabilities	
Accounts Payable	\$ 19,026
Due to other organizations	<u>281,178</u>
Total liabilities	<u>\$ 300,204</u>

The accompanying notes are an integral part of these financial statements

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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, and controlled by the Governing Board of the Santa Fe Community College. Additions of capital assets purchased by the training center is shown in Note 6.

The following is a discretely presented component unit:

Santa Fe Community College Foundation (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, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the College. The College has *Agency Funds* that reports resources held by the College in a custodial capacity for student clubs. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the College's own programs.

4. 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.

5. 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.

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.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. 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.

13. 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 2017 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.

14. 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.

15. 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.

16. 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.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17. 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.

18. 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 \$2,053,574 as of June 30, 2017 based on levied tax information received from the County Treasurer's offices.

19. 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 College. 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 College'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, 2017 totaled \$2,165,735.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. 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.

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.

21. 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 2017, therefore, no provision for income taxes is included in the financial statements.

22. 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.

23. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Educational Retirement Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. 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.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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).

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 42 through 44 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, 2017.

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.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2017, \$14,178,745 of the College's bank balance of \$14,678,745 was exposed to custodial credit risk. \$11,908,469 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the College's name and \$3,980,292 was uninsured and uncollateralized.

	Bank of Albuquerque	Wells Fargo Bank	Total
Amount of deposits	\$ 7,003,623	7,675,122	14,678,745
FDIC coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	6,753,623	7,425,122	14,178,745
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the College's name	7,928,177	3,980,292	11,908,469
Uninsured and uncollateralized	-	3,444,830	3,980,292
Collateral requirement (50%)	3,376,812	3,712,561	7,089,373
Pledged securities	-	-	-
Over (under) collateralization	\$ 4,551,365	(267,731)	4,283,634

The collateral pledged is listed on page 48 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.

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	\$ 14,678,745
Petty cash	59,541
Subtract reconciling items	(788,242)
Total net deposits and investments	\$ 13,950,044
Statement of Net Position	
Cash and cash equivalents	6,654,045
Restricted cash and cash equivalents	7,003,623
Agency Cash	292,376
Cash and cash equivalents and investments, end of year	\$ 13,950,044

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 – ACCOUNTS RECEIVABLE

The College’s accounts receivable at June 30, 2017 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	\$	2,167,928
Grants and contracts		984,895
Mill levy		2,053,574
Due from component unit		587,799
Other		<u>411,113</u>
Less allowance for uncollectible accounts		<u>(1,653,591)</u>
Total accounts receivable, net	\$	<u><u>4,551,718</u></u>

NOTE 5 – ACCRUED EXPENSES

The College’s accrued expenses at June 30, 2017 are as follows:

Accrued salaries payable	\$	549,535
Accrued benefits payable		691,557
Accrued payroll taxes		<u>260,372</u>
Total accrued expenses	\$	<u><u>1,501,464</u></u>

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – CAPITAL ASSETS

The following table summarizes the changes in capital assets during the fiscal year ended June 30, 2017, as reported in the Statement of Net Position. Construction in progress, artwork, and land are not subject to depreciation.

	Balance June 30, 2016	Additions/ Reclassifications	Retirement/ Reclassifications	Balance June 30, 2017
Capital assets not being depreciated				
Construction in progress	\$ -	224,725	-	224,725
Artwork	150,159	-	54,106	204,265
Land	5,868,799	-	-	5,868,799
	<u>\$ 6,018,958</u>	<u>224,725</u>	<u>54,106</u>	<u>6,297,789</u>
Depreciable assets				
Land and Leasehold Improvements	\$ 3,844,156	-	-	3,844,156
Buildings	106,479,299	516,304	-	106,995,603
Infrastructure	14,586,849	106,276	-	14,693,125
Library books	1,269,004	11,982	(5,863)	1,275,123
Equipment, Furnishings, and Software	9,419,883	397,971	(792,316)	9,025,538
	<u>135,599,191</u>	<u>1,032,533</u>	<u>(798,179)</u>	<u>135,833,545</u>
Total capital assets	<u>141,618,149</u>	<u>1,257,258</u>	<u>(744,073)</u>	<u>142,131,334</u>
Less accumulated depreciation for				
Land and Leasehold Improvements	(3,450,845)	(55,509)	-	(3,506,354)
Buildings	(28,745,873)	(2,240,116)	-	(30,985,989)
Infrastructure	(5,569,248)	(600,771)	-	(6,170,019)
Library books	(1,252,387)	(4,960)	5,862	(1,251,485)
Equipment, Furnishings, and Software	(6,531,509)	(584,930)	1,052,019	(6,064,420)
	<u>(45,549,862)</u>	<u>(3,486,286)</u>	<u>1,057,881</u>	<u>(47,978,267)</u>
Capital assets, net	<u>\$ 96,068,287</u>	<u>(2,229,028)</u>	<u>313,806</u>	<u>94,153,067</u>

The Foundation holds artwork as capital assets that are no subject to depreciation. As of June 30, 2017 the total balance of artwork was \$610,083, with \$25,625 in additions for the fiscal year.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017, the statute required each participating employer to contribute 2.00% of each participating employee's annual salary; each participating employee was required to contribute 1.00% 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's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$475,846, \$685,893, and \$435,177, respectively, which equal the required contributions for each year.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – PENSION PLAN– EDUCATIONAL RETIREMENT BOARD

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

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

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

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

Benefits benefit. A member’s retirement benefit is determined by a formula which includes three component parts: 1) the member’s final average salary (FAS), 2) the number of years of service credit, and 3) a 0.0235 multiplier. The FAS is the average of the member’s salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

Summary of Plan Provisions for Retirement Eligibility. For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member’s age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 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.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements.

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits.
- The member's age is 67, and has earned 5 or more years of service credit.

Forms of Payment. 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. *Benefit Options.* The Plan has three benefit options available.

- Option A – Straight Life Benefit – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- Option B – Joint 100% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- Option C – Joint 50% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit.
- The member's increased monthly benefit commences in the month following the beneficiary's death.

Disability Benefit. An NMERB member is eligible for disability benefits if they have acquired at least ten years of earned service credit and is found totally disabled. The disability benefit is equal to 2% of the member's Final Average Salary (FAS) multiplied by the number of years of total service credits. However, the disability benefit shall not be less than the smaller of (a) one-third of the member's FAS or (b) 2% of the member's FAS multiplied by total years of service credit projected to age 60.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Cost of Living Adjustment (COLA) – All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%.

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.

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

Contributions. For the fiscal year ended June 30, 2017 and 2016 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	24.60%	0.00%
2016	7-1-15 to 6-30-16	Over \$20K	10.70%	13.90%	24.60%	0.00%
2016	7-1-15 to 6-30-16	\$20K or less	7.90%	13.90%	24.60%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the College paid employee and employer contributions of \$3,005,318 and \$2,162,262, which equal the amount of the required contributions for each fiscal year.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the employer’s name reported a liability of \$56,174,641 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The employer’s name’s proportion of the net pension liability was based on a projection of the employer’s name’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the employer’s name’s proportion was 0.78059%, which was an increase/decrease of 0.03803% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the College recognized pension expense of \$4,988,420. At June 30, 2017, employer’s name 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	\$ 243,706	(534,292)
Changes in assumptions	1,143,491	-
Net difference between projected and actual earnings on pension plan investments	3,353,158	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	1,935,702	(1,404,544)
The College's contributions subsequent to the measurement date	3,187,455	-
	<u>\$ 9,863,512</u>	<u>(1,938,836)</u>

\$3,187,455 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	876,679
2019	975,751
2020	2,085,090
2021	817,701
2022	-

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Actuarial assumptions: The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment rate of return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.
Mortality	Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table’s base year of 2012. Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	2% per year, compounded annually.
Payroll growth	3.5% per year (with no allowance for membership growth).
Contribution accumulation	5.5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

The actuarial assumptions and methods are set by the Plan’s Board of Trustees, based upon recommendations made by the Plan’s actuary. The Board adopted new assumptions on June 12, 2015 in conjunction with the six-year actuarial experience study period ending June 30, 2014. At that time, the Board adopted several assumption changes, which included a decrease in the annual wage inflation rate from 4.25% to 3.75%, and changes to the mortality rates, disability rates, and retirement rates for members who joined the plan after June 30, 2010. In addition, the board lowered the population growth rate assumption to zero.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	35%	
Fixed income	28	
Alternatives	36	
Cash	1	
Total	<u>100%</u>	7.75%

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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 presents the College’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<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>41,051,076</u>	<u>56,174,641</u>	<u>74,402,007</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued audited financial reports. The reports can be found on NMERB’s Web site at https://www.nmerb.org/Annual_reports.html.

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, 2017, the College owed the ERB \$210,422 for the contributions withheld in the month of June 2017.

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, 2017, the Santa Fe Community College contributed \$27,964 to TIAA-CREF.

**SANTA FE COMMUNITY COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 10 – 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 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, 2016 to June 30, 2017.

There are no amounts expected to be paid in excess of insurance coverage as of June 30, 2017.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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.

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. At June 30, 2017, the College had no outstanding material commitments.

NOTE 12 – 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, 2017 as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Current
Accrued compensated absences	\$ <u>1,290,093</u>	<u>1,119,197</u>	<u>1,119,344</u>	<u>1,289,946</u>	<u>1,052,528</u>

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13 – 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 August 1, 2022 without penalty in incremental amounts of \$5,000 by paying the bonds being retired plus accrued interest to the date of retirement.

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

	Principal Outstanding 6/30/2016	Additions	Retirements	Principal Outstanding 6/30/2017	Due Within One Year
Bonds					
Series 2010	14,315,000	-	3,900,000	10,415,000	3,580,000
Series 2013	8,800,000	-	1,000,000	7,800,000	1,000,000
Total Bonds:	23,115,000	-	4,900,000	18,215,000	4,580,000
Bond Premium:	500,153	-	141,597	358,556	-
Total Long-Term Debt	23,615,153	-	5,041,597	18,573,556	4,580,000

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13 – BONDS PAYABLE (CONTINUED)

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, 2017 are as follows:

Bond Series 2010			
Year Ending June 30,	Principal Payments	Interest	Total
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	\$ 10,415,000	527,389	10,942,389

Bond Series 2013			
Year Ending June 30,	Principal Payments	Interest	Total
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	1,000,000	76,000	1,076,000
2023-2025	2,800,000	82,000	2,882,000
Totals	\$ 7,800,000	862,000	8,662,000

NOTE 14 – OPERATING LEASE

The College leases copiers under an operating lease. At June 30, 2017, future minimum lease payments applicable to the operating lease are as follows:

Operating Lease Year Ending June 30	
2018	\$ 46,010
	\$ 46,010

NOTE 15 – TAX ABATEMENT

Agreements that are entered into by other governments and that reduce the College's tax revenues:

Year ended June 30, 2017		
Government name	Taxes being abated	Gross dollar amount
City of Santa Fe, New Mexico	Property tax	\$ 66,067
		\$ 66,067

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 16 – COMPONENT UNIT, SANTA FE COMMUNITY COLLEGE FOUNDATION

Cash and Temporary Investments

The Foundation’s cash accounts are held in demand checking and money market accounts at an institution with a carrying amount totaling \$1,785,081 at June 30, 2017.

Concentration of Credit Risk – Cash

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation’s deposits may not returned to it. The Foundation maintains cash deposits in one financial institution. The Foundation’s cash account is insured by the FDIC up to the standard maximum deposit insurance of \$250,000. As of June 30, 2017, the Foundation’s uninsured cash deposits total were \$1,258,350. The money market mutual funds held by the Foundation are not insured by the FDIC, however they are not subject to custodial risk.

Investments

The investment policy allows the Foundation to invest its portfolio in equities, fixed-income, alternative investments, and other investment strategies to maintain sufficient liquidity to meet projected distribution requirements. A summary of investments at June 30, 2017 follows:

Mutual Funds - Equities	\$	4,549,496
Mutual Funds - Bonds		2,776,934
Exchange Traded- Equities		23,962
Exchange Traded – Fixed Income		<u>7,525</u>
	\$	<u><u>7,357,917</u></u>

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Foundation’s exposure to custodial credit risk at June 30, 2017 is as follows:

<u>Investment Type</u>	<u>Custodian</u>	<u>Fair Value</u>
Mutual Funds - Equities	Fidelity Investments	\$ 4,549,496
Mutual Funds - Bonds	Fidelity Investments	2,776,934
Exchange Traded - Equities	Fidelity Investments	23,962
Exchange Traded - Fixed Income	Fidelity Investments	<u>7,525</u>
		\$ <u><u>7,357,917</u></u>

Fidelity Investments are members of Securities Investor Protection Corporation (SIPC). As a result, securities are protected up to \$500,000. In addition to the SIPC protection, Fidelity Investments provide excess coverage from Lloyd’s of London in conjunction with other insurers. Total aggregate excess of SIPC coverage is \$1 billion each, but there is a per unit limit of \$1.9 million for cash awaiting investment.

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 16 – COMPONENT UNIT, SANTA FE COMMUNITY COLLEGE FOUNDATION (CONTINUED)

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation’s investment in a single issuer. Investments in any one issuer that represents 10% or more for bonds and 5% or more for all other investments are considered to be exposed to concentrated credit risks and are required to be disclosed. Investments issued and explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. There were no bonds in a single issuer that represents 10% or more of the total investments and there were no other investments 5% or more of the total investments at June 30, 2017.

<u>Name of Depository/ Custodian</u>	<u>Account Type</u>	<u>Institution Balance</u>	<u>Reconciled Book Balance</u>
Deposits			
Century Bank-Public Funds	Non-Interest-Bearing Deposit	\$ 1,508,350	1,569,343
Fidelity Investments		263,318	215,738
Total Deposits		<u>1,771,668</u>	<u>1,785,081</u>
Investment Accounts			
Fidelity Investments	Mutual Funds - Equities	4,549,496	4,549,496
Fidelity Investments	Mutual Funds - Bonds	2,776,934	2,776,934
Fidelity Investments	Exchange Traded Equities	23,962	23,962
Fidelity Investments	Exchange Traded - Fixed	7,525	7,525
Total Investments		<u>\$ 7,357,917</u>	<u>7,357,917</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation does not have a policy on investment credit risk. At June 30, 2017, the Foundation’s bond and money market mutual funds are subject to credit risk, however, they are unrated.

<u>Investment Type</u>	<u>Rating</u>	<u>Percentage</u>
Money Market Funds:		
Fidelity Treasury Money Market	AAA	3.48%
Bond Mutual Funds:		
Blackrock Strategic Income	BB	0.03%
Templeton Global Total Return	BB	4.84%
DoubleLine Total Return	BB	6.86%
Vanguard Inter-Term Inv	A	9.85%
Vanguard Short-Term Inv	A	9.87%
Fidelity Floating Rate	BB	5.22%

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 16 – COMPONENT UNIT, SANTA FE COMMUNITY COLLEGE FOUNDATION (CONTINUED)

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation does not have a policy to limit its exposure to interest rate risk. At June 30, 2017, Foundation’s bond mutual funds are subject to interest rate risk, however, they are all unrated.

Investment Income

For the year ended June 30, 2017, components of investment income were as follows:

Interest and dividend income	\$	191,461
Net realized gains		791,058
Net unrealized loss		<u>(219,541)</u>
Total Investment (loss)	\$	<u><u>762,978</u></u>

Fair Value Measurement

The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices (unadjusted) for the identical assets in active markets, accessible at the measurement date. Level 1 inputs include exchange markets, dealer markets, brokered markets, and principal to principal markets.
- Level 2 inputs are inputs – other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and quoted prices for identical or similar assets in markets that are not active.
- Level 3 inputs are unobservable inputs for an asset.

Investments that do not have a readily determinable fair value are recorded using net asset value (NAV). NAV is generally provided by the investment managers but the component considers the reasonableness of the NAV, based on market information, to arrive at the fair value estimates for each investment.

The Foundation has the following recurring fair value measurements as of June 30, 2017:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investment held by the Foundation:				
Mutual Funds – Equities	\$ 4,549,496	4,549,496	-	-
Mutual Bonds – Bonds	2,776,934	2,776,934	-	-
Exchange Traded – Equities	23,962	23,962	-	-
Exchange Traded – Fixed Income	<u>7,525</u>	<u>7,525</u>	-	-
Total investments subject to leveling	<u>\$ 7,357,917</u>	<u>7,357,917</u>	<u>-</u>	<u>-</u>
Investments measured at the net asset value (NAV):	\$ <u>-</u>			
Total investments	<u>\$ 7,357,917</u>			

**SANTA FE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 17 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2017, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is October 31, 2017, which is the date on which the financial statements were available to be issued.

NOTE 18 – RESTATEMENT

On October 20, 2016 the Foundation posted an adjusting entry, increasing the liability due to the College for the fiscal year 2016. The adjusting entry was made to the Foundation's trial balance, however, was not made on Axiom's trial balance for the Foundation. Therefore, the adjustment was not represented in the Foundation's financial statements for the year ended June 30, 2016. Because the Foundation's trial balance did not agree to the audited financial statements, the Foundation's fund balance did not roll from fiscal year 2016 to fiscal year 2017.

To correct this, we will adjust by restating the beginning net position of the Foundation to represent a decrease of \$129,076. The effect is a change in net position by this amount for the year ended June 30, 2016.

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, 2017

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

	Fiscal Year	2017	2016	2015
	Measurement Date	2016	2015	2014
College's Proportion of the Net Pension Liability (Asset)		0.78059%	0.74256%	0.00%
College's Proportionate Share of Net Pension Liability (Asset)		56,175	48,098	44,962
College's Covered-Employee Payroll		23,930	20,274	22,556
College's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll		234.75%	237.24%	199.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		61.58%	63.97%	66.54%

*The amounts presented for each fiscal year were determined as of June 30, 2016

**STATE OF NEW MEXICO
 SANTA FE COMMUNITY COLLEGE
 SCHEDULE OF THE COLLEGE SYSTEM CONTRIBUTIONS
 June 30, 2017**

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

	2017	2016	2015
Statutory required contributions	3,099	3,159	2,992
Contributions in Relation to the Contractually Required Contribution	3,099	3,159	2,992
Contribution Deficiency (Excess)	-	-	-

* Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the College is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**SANTA FE COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

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 FY16 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 December 9, 2016, compiled data for the six-year period ending June 30, 2016.

1. Fiscal year 2015 and 2014 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 4.25% to 3.75%
 - b. Lower the population growth rate assumption from 0.50% to zero.
2. Assumptions that were not changed:
 - a. Investment return will remain at 7.75%
 - b. Inflation will remain at 3.00%
 - c. Payroll growth rate will remain at 3.50%

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, 2017**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Instruction and General	52,797,457	52,422,286	41,082,440	(11,339,846)
Student Social and Cultural	125,799	128,351	128,236	(115)
Public Service	7,571,533	7,218,897	6,957,035	(261,862)
Internal Service	10,000	10,000	11,925	1,925
Student Aid Grants and Stipends	15,477,655	10,268,085	8,082,554	(2,185,531)
Auxiliary Enterprises	2,239,905	2,244,377	2,240,717	(3,660)
Capital Outlay	2,149,446	1,484,815	1,311,469	(173,346)
Retirements of Indebtness	5,884,729	5,884,729	6,211,688	326,959
Total revenues	<u>86,256,524</u>	<u>79,661,540</u>	<u>66,026,064</u>	<u>(13,635,476)</u>
Expenditures:				
Instruction and General	70,270,419	64,710,788	40,385,645	(24,325,143)
Student Social and Cultural	125,799	128,351	87,359	(40,992)
Public Service	7,631,532	7,285,574	7,149,039	(136,535)
Internal Service	10,000	10,000	96,632	86,632
Student Aid Grants and Stipends	16,197,954	11,062,961	8,494,667	(2,568,294)
Auxiliary Enterprises	2,176,635	2,235,774	2,250,105	14,331
Capital Outlay	4,662,504	1,817,476	1,514,096	(303,380)
Renewals and Replacements	-	87,041	87,044	3
Retirements of Indebtness	5,476,726	5,212,403	5,286,515	74,112
Total expenditures	<u>106,551,569</u>	<u>92,550,368</u>	<u>65,351,102</u>	<u>(27,199,266)</u>
Net Transfers to (from)	-	-	-	-
Change in net assets (budgetary basis)	<u>(20,295,045)</u>	<u>(12,888,828)</u>	<u>674,962</u>	<u>13,563,790</u>
Beginning Net Position	<u>7,989,702</u>	<u>12,894,201</u>	<u>11,752,084</u>	<u>(1,142,117)</u>
Ending fund balance	<u>\$ (12,305,343)</u>	<u>\$ 5,373</u>	<u>\$ 12,427,046</u>	<u>\$ (12,421,673)</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, 2017**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Tuition and Fees	6,948,477	7,015,452	6,970,137	(45,315)
State Govt Appropriations	10,146,700	9,639,365	9,639,491	126
Local Govt Appropriations	17,049,742	17,049,742	17,184,123	134,381
Sales and Service of Educational Activities	234,300	234,300	242,778	8,478
Other Sources	98,318	163,507	148,643	(14,864)
Total revenues	34,477,537	34,102,366	34,185,172	82,806
Expenditures:				
Instruction	15,838,912	16,025,014	15,836,492	(188,522)
Academic support	3,134,905	3,083,254	3,016,791	(66,463)
Student services	3,650,869	3,410,816	3,407,994	(2,822)
Institutional support	6,823,399	6,633,325	6,568,623	(64,702)
Operation and maintenance of plant	4,253,907	4,124,945	4,124,945	-
Total expenditures	33,701,992	33,277,354	32,954,845	(322,509)
 Net Transfers to (from)	 (927,104)	 (1,609,426)	 (1,599,606)	 9,820
 Change in net assets (budgetary basis)	 (151,559)	 (784,414)	 (369,279)	 (415,135)
 Beginning Net Position	 1,194,181	 1,850,194	 1,850,194	 -
 Ending fund balance	 <u>\$ 1,042,622</u>	 <u>\$ 1,065,780</u>	 <u>\$ 1,480,915</u>	 <u>\$ (415,135)</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, 2017**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Balance Budgeted	\$ -	\$ -	\$ -	\$ -
Revenues:				
Federal Govt Grants and Contracts	16,948,423	16,948,423	5,637,112	(11,311,311)
State Govt Grants and Contracts	1,007,854	1,007,854	688,390	(319,464)
Local Govt Grants and Contracts	278,485	278,485	514,366	235,881
Private Gifts, Grants, and Contracts	-	-	57,400	57,400
Other Sources	-	-	-	-
Total revenues	<u>18,234,762</u>	<u>18,234,762</u>	<u>6,897,268</u>	<u>(11,337,494)</u>
Expenditures:				
Instruction	16,613,542	16,613,542	5,496,926	(11,116,616)
Academic support	1,005,867	1,005,867	1,405,788	399,921
Student services	700,511	700,511	528,086	(172,425)
Total expenditures	<u>18,319,920</u>	<u>18,319,920</u>	<u>7,430,800</u>	<u>(10,889,120)</u>
Net Transfer	-	-	-	-
Change in net assets (budgetary basis)	<u>(85,158)</u>	<u>(85,158)</u>	<u>(533,532)</u>	<u>448,374</u>
Beginning Net Position	-	-	-	-
Ending fund balance	<u>\$ (85,158)</u>	<u>\$ (85,158)</u>	<u>\$ (533,532)</u>	<u>\$ 448,374</u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
RECONCILIATION OF BUDGETARY BASIS TO FINANCIAL STATEMENT BASIS
UNRESTRICTED AND RESTRICTED
ALL OPERATIONS
JUNE 30, 2017**

Total Unrestricted and Restricted Revenues:

Budgetary Basis	\$ 66,026,064
Reconciling Items:	
Scholarship allowance (not in budgetary basis)	(2,165,735)
State appropriations, capital	(1,316,644)
Total reconciling items	<u>(3,482,379)</u>

GAAP Basis	\$ <u>62,543,685</u>
-------------------	----------------------

Basic Financial Statements

Operating revenues	\$ 19,920,703
Non-operating revenues	<u>42,622,982</u>

Total Unrestricted and Restricted Revenues per Financial Statements	\$ <u>62,543,685</u>
--	----------------------

Total Unrestricted and Restricted Expenditures:

Budgetary Basis	\$ 65,351,102
Reconciling Items:	
Bond Payment (not in financial statements)	(4,900,000)
Scholarship allowance (not in budgetary basis)	(2,165,735)
Capital outlay (not in financial statements)	(1,229,826)
Depreciation expense (not in budgetary basis)	3,486,283
Pension Expense (not in budgetary basis)	1,100,809
Other items	521,506
Total reconciling items	<u>(3,186,963)</u>

GAAP Basis	\$ <u>62,164,139</u>
-------------------	----------------------

Basic Financial Statements

Operating expenditures	\$ 61,778,187
Non-operating expenditures	<u>385,952</u>

Total Unrestricted and Restricted Expenditures per Financial Statements	\$ <u>62,164,139</u>
--	----------------------

SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2017**

	<u>June 30, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2017</u>
Phi Theta Kappa Club	\$ 1,693	\$ 3,162	\$ 1,688	\$ 3,167
Club Cuisine	365	-	365	-
Smiles Club	226	100	325	1
American Society of Interior Designers	1,763	-	1,763	-
Clay Club	7,526	13,982	13,944	7,564
Nursing Club	492	-	-	492
LGBT Pride	81	-	-	81
ASL Deaf & Hard of Hearing	7	93	-	100
The Film Club	384	-	-	384
RT Inspiring	95	-	58	37
Solar Club	3,902	-	-	3,902
Kitchen and Bath Club	10	-	10	-
Jewelry Club	74	-	74	-
Student Activities	57	-	-	57
Glass Club	1,077	4,178	5,253	2
Native American Club	598	490	-	1,088
Traditional Gaming Society	105	-	105	-
Art Club	4	-	4	-
Dreams	75	-	75	-
Figure Club	260	440	473	227
Bondage Breakers Motivational Club	40	-	20	20
Employee Committee	(1,470)	1,266	1,022	(1,226)
SUN On-Line	10,050	-	7,725	2,325
NMICC	120,083	191,082	120,024	191,141
HJM Reading Materials Study	(750)	750	-	-
Training Center	55,523	-	-	55,523
Film Crew Training	679	43,740	24,714	19,705
Training Center Entrepreneurship	44,110	-	44,110	-
Veterans Club	4,646	3,180	4,212	3,614
Aquaculter and Hydroponics Club	225	460	-	685
NSLS Craft Club	100	234	329	5
Sculpture Union	-	235	-	235
Hospitality and Tourism Club	-	2,755	-	2,755
First Year Student Success	-	492	-	492
Student Ambassadors	-	-	-	-
Total agency fund cash	\$ 252,030	\$ 266,639	\$ 226,293	\$ 292,376
Accounts Receivable	7,854	149,100	156,954	-
Capital Assets	32,542	282,554	307,268	7,828
Less: Accounts Payable	258	58,856	40,088	19,026
Due to other organizations	\$ 292,168	\$ 639,437	\$ 650,427	\$ 281,178

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2017**

Account Name	Type	Bond Retirement Bank of Albuquerque	Payroll Wells Fargo Bank	Operational Wells Fargo Bank	Total	Component Unit		
						Century Bank	Fidelity	Total
Operating Cash Account	Checking	\$ -	-	7,284,734	7,284,734	-	-	-
Payroll Cash Account	Payroll	-	390,388	-	390,388	-	-	-
Operating Foundation - Operating Account	Checking	7,003,623	-	-	7,003,623	-	-	-
Money Market Mutual Funds	Investments	-	-	-	-	1,508,350	-	1,508,350
Corporate Stock	Investments	-	-	-	-	-	7,574,740	7,574,740
Mutual Funds - Bonds	Investments	-	-	-	-	-	44,055	44,055
Amounts on Deposit	Investments	-	-	-	-	-	2,439	2,439
Outstanding items		7,003,623	390,388	7,284,734	14,678,745	1,508,350	7,621,234	9,129,584
		-	(9,548)	(778,694)	(788,242)	60,994	(47,580)	13,414
		<u>\$ 7,003,623</u>	<u>380,840</u>	<u>6,506,040</u>		<u>1,569,344</u>	<u>7,573,654</u>	
				Petty Cash	\$ 59,541			\$ -
					<u>\$ 13,950,044</u>			<u>\$ 9,142,998</u>
		Reconciliation to the Statement of Net Position:						
				Cash and cash equivalents	\$ 6,654,045			\$ 1,785,081
				Restricted cash and cash equivalents	7,003,623			-
				Agency fund cash	292,376			-
				Short-term investments	-			<u>7,357,917</u>
				Total deposits and investments	<u>\$ 13,950,044</u>			<u>\$ 9,142,998</u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2017**

Security	Location	Maturity	Fair Market Value June 30, 2017
FNMA FGPC (CUSIP 3132QSUG1)	Wells Fargo	September 1, 2045	\$ 434,795
FNMA FNMS (CUSIP 3138M1W38)	Wells Fargo	April 1, 2042	3,545,498
FNA 2013-M7 ASQ2	Bank of Albuquerque	March 26, 2018	16,920
FNA 2013-M7 ASQ2	Bank of Albuquerque	March 26, 2018	1,692,033
FNA 2013-M7 ASQ2	Bank of Albuquerque	March 26, 2018	338,407
FNA 2013-M7 ASQ2	Bank of Albuquerque	March 26, 2018	676,813
FN AL6163	Bank of Albuquerque	November 1, 2021	181,692
FN AL6163	Bank of Albuquerque	November 1, 2021	181,692
FN AL6163	Bank of Albuquerque	November 1, 2021	181,692
FN AL6163	Bank of Albuquerque	November 1, 2021	272,538
FN AL6163	Bank of Albuquerque	November 1, 2021	454,230
FN AL6163	Bank of Albuquerque	November 1, 2021	535,991
FN AL6163	Bank of Albuquerque	November 1, 2021	545,076
FN AL6163	Bank of Albuquerque	November 1, 2021	817,614
FHR 4338	Bank of Albuquerque	May 15, 2044	160,538
FHR 4338	Bank of Albuquerque	May 15, 2044	1,605,378
FHR 4338	Bank of Albuquerque	May 15, 2044	267,562
			\$ 11,908,469

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. Timothy 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, fiduciary activities and the aggregate discretely presented component unit of Santa Fe Community College (the "College"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 31, 2017.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters.

Santa Fe Community College's Response to Finding

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

Purpose of this Report

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



Albuquerque, New Mexico
October 31, 2017

**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. Timothy 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2017.

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.



Albuquerque, New Mexico
October 31, 2017

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

Program or Grantor Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
Student Financial Assistance - Cluster					
Department of Education					
421202,421201	Federal Pell Grant Program	84.063			\$5,246,780
421612, 421611, 421622,421632	Federal Direct Student Loans	84.268			\$1,949,676
421402	Federal Supplemental Educational Opportuntiy Grants	84.007			\$74,925
425100	Federal Work-Study Program	84.033			\$83,905
Total Department of Education					\$7,355,286
Total Student Financial Assistance Cluster					\$7,355,286
Research and Development-Cluster					
National Science Foundation					
411014	Higher Inn for Students in H.S.I. - UNM	47.076	023268-87G6		\$1,102
411015	SimBuilding	47.076			\$101,015
411017	Online Tech - Educaiton	47.076			\$14,200
411018	STEPS Right Direction - UNM	47.076	023280-87G6		\$658
411019	Microgrid Activity Grant - CAU	47.076	RSP-11-10-225208-002		\$12,349
411031	EPSCOR Infrastructure Seed - UNM	47.083	063034-87G6		\$37,576
411059	Stem Grant - NMIMT	47.076	STEM10-710415		\$775
411071	EPSCOR - UNM	47.083	063026-87G-6		\$2,020
411129	VESTA National Ctr for Excell - MSU	47.076	16043-010		\$9,264
Total National Science Foundation					\$178,959
Total Research and Development Cluster					\$178,959
TRIO - Cluster					
Department of Education					
411210	TRIO Student Support Services	84.042			\$234,488
Total TRIO Cluster					\$234,488
Other Programs					
Department of Labor					
411230	TAACCCT - SUNPATH	17.282		\$2,523,610	\$4,326,136
411073	YouthBuild	17.274			\$416,983
Total Department of Labor					\$2,523,610
					\$4,743,119
Department of Education					
411061	Perkins Voc Access - Reallocation NMPED	84.048A			\$38,049
411062	Perkins - Voc Access NMPED	84.048A			\$218,515
411063	Perkins - Voc Access Redistribution NMPED	84.048A			\$0
411311	Adult Education	84.002	V002A160032		\$229,698
411310	NRGSC	84.031C	P031C110094		\$88,727
Total Department of Education					\$574,989
Department of Agriculture Food and Nutrition Service					
411094	State of NM CYFD	10.558			\$58,922
Total Department of Agriculture Food and Nutrition					\$58,922
Small Business Administration					
411121	NMSBDC	12.002		\$90,827	\$311,402
411123	NMSBDC Jan-Dec 2017	12.002		\$261,866	\$425,977
					\$352,693
					\$737,379

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

Office of Naval Research					
411122	PTAP Mar 16-Feb 17	59.037			\$311,596
411126	PTAP Mar 17-Feb 18	59.037			\$71,552
411127	PTAP Mar 17-Feb 18	59.037			\$60,585
Total Office of Naval Research					\$443,733
Corporaton for National and Community Service					
411027	AARP - Back to Work 50+	94.019	INC-2015-03-0005		\$3,846
411028	AARP WESI Back to Work 50+ Year 2	94.019	INC-2015-03-0005		\$105,492
					\$109,338
Department of Health and Human Sevices					
411453	Partnerships for Success- UNM	93.243	028344-87G6		\$80,234
411303	NM AMP - NMSU	93-308	Q01618		\$512
Total Department of Health and Human Services					\$80,746
Total Expeditures of Federal Awards					\$2,876,303
					\$14,516,959

**SANTA FE COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Santa Fe Community College under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Santa Fe Community College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Santa Fe Community College.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Santa Fe Community College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Non-Cash Assistance

The College expended no federal awards in the form of non-cash assistance for the year ended June 30, 2017.

**SANTA FE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

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

Non-compliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

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

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

Identification of Major Program

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
Various	Student Financial Assistance Center	Unmodified

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

Auditee qualified as low-risk auditee? Yes X No

**SANTA FE COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

B. FINDINGS—FINANCIAL STATEMENT AUDIT

2017-001 – Restatement of Net Position (Significant Deficiency)

Condition: The Foundation posted an adjusting entry to increase the liability due to the College for the year ended June 30, 2016. The adjusted balance was not reflected on the audited financial statements for fiscal year 2016.

Criteria: In accordance with generally accepted accounting principles, all transactions including liabilities should be reflected in the financial statements.

Effect: The Foundation's beginning balance of net position for fiscal year 2017 was overstated by \$129,076.

Cause: The adjusting entry was made to the Foundation's trial balance, however, was not made on Axiom's trial balance for the Foundation. Therefore, the adjustment was not represented in the Foundation's financial statements for the year ended June 30, 2016. Because the Foundation's trial balance did not agree to the audited financial statements, the Foundation's fund balance did not roll from fiscal year 2016 to fiscal year 2017.

Recommendation: We recommend that the Foundation and the College perform a more thorough review of the audited financial statement prior to their release to ensure that all audited balances tie to the entity's trial balance to ensure that all adjusting entries are reflected in the financial statements. As outlined in the management representation letter, management assumes all responsibility for non-audit services such as financial statement preparation.

Management Response: SFCC provided the adjusting journal entry to the independent auditor on October 20, 2016 and the entry was included on the College's financial statements, however, it was not included on the Foundation's financial statements. Management received the final draft of the financial statements on November 18, after the financial report was due to the state auditor on November 15. Management will work with auditors to ensure that enough time is planned to have SFCC review final financial numbers prior to submitting the audit to OSA. Currently, management has implemented a quarterly billing and review of the Due to/Due from account from the Foundation to the College. This audit finding has been corrected at the time of writing this management response. The VP for Finance and Controller are responsible for correcting this audit finding and the finding will be verified to be resolved by December 2017.

C. FINDINGS—FEDERAL AWARDS

None

**SANTA FE COMMUNITY COLLEGE
PRIOR YEAR FINDINGS
JUNE 30, 2017**

D. PRIOR YEAR FINDINGS

- FS 2016-001 Review and Approval of Journal Entries – Resolved
- FS 2016-002 Use of Fuel Cards – Resolved

**SANTA FE COMMUNITY COLLEGE
EXIT CONFERENCE
JUNE 30, 2017**

EXIT CONFERENCE – COLLEGE

The contents of this report and its schedules related to the component unit were discussed on October 25, 2017. The following persons were in attendance:

Santa Fe Community College Foundation Personnel

George Gamble, Board Secretary
Kathy Keith, Board Member
Martha Romero, Board Member
Jack Sullivan, Board Vice Chair
Randy Grissom, President, SFCC
Nick Telles, Vice President of Finance/CFO
Yash Morimoto, Assistant Vice President for Planning and Institutional Effectiveness
Margaret Peters, Vice President for Academic Affairs
Naomi Bojorquez Flores, SGA President
Jessica Garcia, Assistant Controller
Amy Pell, Controller

Axiom CPA and Business Advisors, LLC

Jaime Rumbaoa, CPA, Partner

EXIT CONFERENCE – FOUNDATION

The contents of this report and its schedules related to the component unit were discussed on October 25, 2017. 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, Board Member
Deborah Boldt, Executive Director
Kelly Smith, Foundation Advancement Manager
Rosemary Mulcahy, Treasurer
Carmen Gonzales, President, SFCC Foundation
Adam Stranel, Board Member
Amy Pell, Controller

Axiom CPA and Business Advisors, LLC

Jaime Rumbaoa, 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, 2017 by Axiom Certified Public Accountants and Business Advisors LLC. The responsibility for these financial statements remains with the College.