

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

Annual Financial Report

June 30, 2019



*Certified Public Accountants
and Business Advisors LLC*

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

June 30, 2019

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

June 30, 2019

Official Roster

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities, 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, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 41 through 42, and the *Schedule of Proportionate Share of OPEB Liability* and *Schedule of Contributions* on pages 43 through 44 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, the budget comparison schedules 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, 2019 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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, 2019

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Management's Discussion and Analysis
June 30, 2019**

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 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. This MD&A focuses on the College and not on the Foundation and makes adjustments for GASB 68 and GASB 75 to more clearly reflect the actual operations of the College.

Condensed Financial Information

Assets and Deferred Outflows of Resources	2019	2018	2017
Current assets	\$ 25,007,263	23,205,678	12,112,738
Capital and other assets	95,864,791	96,477,460	101,156,690
Deferred outflows of resources	24,138,781	32,640,202	9,863,512
Total Assets and Deferred Outflows of Resources	145,010,835	152,323,340	123,132,940
Liabilities and Deferred Outflows of Resources			
Current liabilities	9,912,430	8,396,463	10,716,546
Noncurrent liabilities	12,636,253	16,480,584	14,230,974
Net Pension and OPEB liability	113,864,893	115,404,588	56,174,641
Deferred inflows of resources	11,934,216	7,792,598	1,938,836
Total Liabilities and Deferred Outflows of Resources	148,347,792	148,074,233	83,060,997
Net Position			
Net investment in capital assets	74,542,395	78,321,506	75,938,067
Restricted	5,202,927	3,929,817	7,003,623
Unrestricted	(83,082,279)	(78,002,216)	(42,869,747)
Total Net Position (GAAP)	(3,336,957)	4,249,107	40,071,943
Pension and OPEB related items	101,660,328	90,556,984	48,249,965
Adjusted Net Position (Non-GAAP)	\$ 98,323,371	94,806,091	88,321,908

- Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$3,336,957 at the close of the fiscal year. Of this amount, (\$83,082,279) is unrestricted. The large negative unrestricted net position is the result of accounting for net pension liability in accordance with GASB 68 and other postemployment benefits liability in accordance with GASB 75. Net position after removing the effects of GASB 68 and GASB 75 totals \$98,323,371 for fiscal year 2019. Of this amount, \$18,578,049 is unrestricted.
- Operating cash and cash equivalents increased \$3,431,933 from \$7,648,158 at the beginning of the year to \$11,080,091 at the end of fiscal year 2019. Cash and cash equivalents at June 30, 2019 also included proceeds from the sale of the College's 2018A and 2018B Bonds of \$7,996,077.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Management's Discussion and Analysis
June 30, 2019

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:

	2019	2018	2017
Operating Revenues	\$ 15,440,047	18,619,840	19,920,703
Operating Expenses	(66,019,441)	(69,087,641)	(61,778,187)
Operating Loss	(50,579,394)	(50,467,801)	(41,857,484)
Non-Operating Revenues (Expenses)	42,993,330	44,478,107	43,553,674
Change in Net Position (GAAP)	(7,586,064)	(5,989,694)	1,696,190
Pension and OPEB related items	11,103,344	12,502,380	1,800,965
Adjusted Change in Net Position (Non-GAAP)	\$ 3,517,280	6,512,686	3,497,155

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

	2019	2018	2017
Tuition and fees, net	\$ 5,075,349	5,389,162	5,063,840
Government grants and contracts	5,670,749	9,242,185	10,907,063
Non-government grants and contracts	1,530,425	754,240	797,707
Sales and services of educational activities	1,253,292	1,090,623	912,152
Auxiliary enterprises	1,840,897	2,073,985	2,239,941
Gifts	69,335	69,645	-
Operating Revenues	\$ 15,440,047	18,619,840	19,920,703

Operating revenue for fiscal years 2019 and 2018 totaled \$15,440,047 and \$18,619,840, respectively, or a decrease of \$3,179,793. The primary reason for the decrease is the closeout of a 5 year, \$15 million federal grant award in the first quarter of fiscal year 2019.

Operating Expenses

	2019	2018	2017
Instruction	\$ 21,034,265	24,846,556	22,852,469
Academic support	6,224,006	5,953,892	4,365,787
Student services	4,719,010	4,705,422	3,982,586
Institutional support	7,948,159	8,138,693	6,712,558
Operation and maintenance of plant	5,087,155	5,078,642	4,195,650
Student activities	64,439	117,084	87,381
Student aid	3,989,002	4,998,118	6,328,932
Public services	9,514,916	8,256,658	7,071,771
Auxiliary enterprises	2,175,159	2,412,061	2,249,256
Building renewal and replacements	817,649	39,538	353,371
Depreciation and amortization	3,681,746	3,595,406	3,486,283
Internal services	763,935	945,571	92,143
Operating Expenses (GAAP)	66,019,441	69,087,641	61,778,187
Pension and OPEB related items	(11,103,344)	(12,502,380)	(1,800,965)
Adjusted Operating Expenses (Non-GAAP)	\$ 54,916,097	56,585,261	59,977,222

**STATE OF NEW MEXICO
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Management's Discussion and Analysis
June 30, 2019**

Operating expenses for fiscal years 2019 and 2018 totaled \$54,916,097 and \$56,585,261, respectively, or a decrease of \$1,669,164. The primary cause is decreased expenses related to the closeout of a 5 year, \$15 million federal grant award in the first quarter of fiscal year 2019.

Non-Operating Revenues and Expenses

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Federal Pell grant	\$ 4,046,334	5,025,326	5,244,493
State appropriations	14,588,998	15,170,641	15,052,643
Local appropriations - operating	20,277,252	17,893,951	17,184,123
Local appropriations - debt service	4,203,788	6,478,006	6,210,311
Interest expense and other related debt	(376,548)	(289,861)	(385,952)
Other income	253,506	200,044	248,056
Non-Operating Revenues and Expenses	\$ <u>42,993,330</u>	<u>44,478,107</u>	<u>43,553,674</u>

Non-operating revenues and expenses decreased by \$1,484,777 from \$44,478,107 in fiscal year 2018 to \$42,993,330 in fiscal year 2019. State capital appropriations revenue decreased by \$1,025,145 in fiscal year 2019 compared to the prior year due to a shift from mainly utilizing state appropriations to utilizing local government obligation bonds for capital projects. The decrease in Federal Pell grants is a result of lower student eligibility due to an improved economy in fiscal year 2019 as well as lower credit hour enrollment.

Analysis of Variations Between Original and Final Budget and Resulting Actual

During fiscal year 2019, 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 2019 exceeded budgeted revenues of \$36,495,203 by \$974,077. Actual unrestricted I&G expenses were \$1,567,193 under budgeted expenditures of \$34,360,086 for fiscal year 2019. I&G net position increased by \$316,432 to \$3,617,038 after transfers of \$4,359,955 at June 30, 2019.

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.

On February 6, 2018, the Santa Fe County voters approved a \$17 million general obligation bond issue for the purposes of constructing an automotive center, purchasing, remodeling and equipping buildings and utility facilities and purchasing and installing computer hardware and software. The Series 2018A bond issue of \$4.75 million occurred on June 20, 2018 and has a maturity date of August 1, 2030. The Series 2018B bond issue of \$4.5 million occurred on June 20, 2018 and had a maturity date of June 21, 2018.

All proceeds from the 2010 and 2013 bond issues have been expended and the capital projects have been completed. Projects utilizing the 2018 bond issues are underway and should be completed by year end fiscal year 2020. In fiscal year 2019, local property tax debt service funds were utilized to pay \$2,700,000 in principle and \$375,548 in interest on the bonds. At the end of fiscal year 2019, the College had \$15,901,792 of principle and interest outstanding.

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Subsequent to June 30, 2019, the College issued the Series 2019 bond of \$7.5 million with a maturity date of August 1, 2031. The proceeds of this issue will be used to furnish, purchase, remodel and equip buildings and utility facilities and to make other real property improvements and install computer hardware and software.

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%.

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 2018 legislative session witnessed improvement in New Mexico's general economy and cash reserves and, as a result, the higher education budget was approved with no cuts. The College received an additional budget appropriation of 2% for compensation increases, which covers less than 50% of the cost of a College wide 2% compensation increase.

The 2019 legislative session saw continued improvement in New Mexico's general economy and cash reserves and again, the higher education budget was approved with no cuts. The College received an additional budget appropriation of 4% for compensation increases, which covers less than 40% of the cost of a College wide 4% compensation increase.

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 less due to the increasing number of Dual Credit students. The College has dedicated more resources toward recruitment and retention in order to minimize enrollment declines.

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.

FINANCIAL SECTION

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Statement of Net Position
June 30, 2019

	Santa Fe Community College	Component Unit Foundation
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 19,076,168	1,565,295
Short-term investments	-	8,072,011
Accounts receivable, net	561,088	-
Mill levy receivable	1,822,717	-
Grants receivable	1,666,172	-
Other receivables	437,043	-
Due from component unit	557,769	-
Inventory	384,471	-
Prepaid expenses	501,835	-
Total current assets	<u>25,007,263</u>	<u>9,637,306</u>
Noncurrent assets		
Cash and cash equivalents - restricted	5,202,927	-
Capital assets, net	90,661,864	802,443
Total noncurrent assets	<u>95,864,791</u>	<u>802,443</u>
TOTAL ASSETS	<u>120,872,054</u>	<u>10,439,749</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	23,704,068	-
OPEB related	434,713	-
Total deferred outflows of resources	<u>24,138,781</u>	<u>-</u>
Total assets and deferred inflows	<u>\$ 145,010,835</u>	<u>10,439,749</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 2,041,893	250
Grants payable	-	-
Accrued expenses	1,479,937	-
Interest payable	216,792	-
Unearned revenue	1,070,964	-
Deposits held in trust	13,341	-
Other liabilities	297,203	-
Annuity payable, current portion	-	3,650
Due to primary government	-	557,769
Compensated absences	1,042,300	-
Current maturity of bonds payable	3,750,000	-
Total current liabilities	<u>9,912,430</u>	<u>561,669</u>
Noncurrent liabilities		
Annuity payable, less current portion	-	13,468
Compensated absences	266,784	-
Bond premium	434,469	-
Bond payable	11,935,000	-
Net pension liability	91,811,777	-
Net OPEB liability	22,053,116	-
Total noncurrent liabilities	<u>126,501,146</u>	<u>13,468</u>
TOTAL LIABILITIES	<u>136,413,576</u>	<u>575,137</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related	4,075,804	-
OPEB related	7,858,412	-
Total deferred inflows of resources	<u>11,934,216</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	74,542,395	-
Restricted		
Nonexpendable scholarship and program	-	5,588,033
Expendable scholarship and programs	-	3,438,670
Expendable future debt service requirements	5,202,927	-
Unrestricted	(83,082,279)	837,909
Total net position	<u>(3,336,957)</u>	<u>9,864,612</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 145,010,835</u>	<u>10,439,749</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Statement of Revenues, Expenses and
Changes in Net Position
Year Ended June 30, 2019**

	Santa Fe Community College	Component Unit Foundation
Operating Revenues		
Student tuition and fees (net of scholarship allowances of \$1,975,216)	\$ 5,075,349	-
Governmental grants and contracts	5,670,749	-
Nongovernment grants and contracts	1,530,425	-
Auxiliary enterprises	1,840,897	-
Gifts	69,335	837,674
Non-gift revenue	-	430,130
Sales and services of educational activities	1,253,292	-
Total operating revenues	<u>15,440,047</u>	<u>1,267,804</u>
Operating Expenses		
Instruction	21,034,265	482,345
Academic support	6,224,006	357,492
Student services	4,719,010	-
Institutional support	7,948,159	644,344
Operation and maintenance of plant	5,087,155	-
Student activities	64,439	-
Student aid	3,989,002	-
Internal services department	763,935	-
Public services	9,514,916	-
Auxiliary enterprise expenses	2,175,159	-
Plant operations expense	817,649	-
Depreciation	3,681,746	-
Total operating expenses	<u>66,019,441</u>	<u>1,484,181</u>
Operating loss	<u>(50,579,394)</u>	<u>(216,377)</u>
Nonoperating revenues (expenses):		
Federal Pell Grants	4,046,334	-
State appropriations, non-capital	14,073,402	-
Mill levy - operations	20,277,252	-
Mill levy - debt services	4,203,788	-
Investment income	-	239,423
Bond interest expense	(376,548)	-
Other income	253,506	-
Net nonoperating revenues	<u>42,477,734</u>	<u>239,423</u>
Income (loss) before capital grants and appropriations	<u>(8,101,660)</u>	<u>23,046</u>
State appropriations, capital	515,596	-
Additions to permanent endowments	-	111,659
Change in net position	(7,586,064)	134,705
Net position, beginning of year	4,249,107	9,729,907
Net position, end of year	<u>\$ (3,336,957)</u>	<u>9,864,612</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Statement of Cash Flows
Year Ended June 30, 2019

	Santa Fe Community College
Cash Flows From Operating Activities	
Tuition and fees	\$ 4,817,700
Grants and contracts	7,879,108
Auxiliary enterprise charges	1,840,897
Sales and services of educational activities	1,253,292
Gifts	69,335
Payment of employees and benefits	(28,997,921)
Payments of vendors	(22,001,989)
Net cash used by operating activities	<u>(35,139,578)</u>
Cash Flows From Noncapital Financing Activities	
State appropriations	14,073,402
Federal Pell Grants	4,046,334
Mill levies	24,481,040
Other receipts	253,506
Net cash provided by noncapital financing activities	<u>42,854,282</u>
Cash Flows From Capital Financing Activities	
Principal payment on long term debt	(2,700,000)
Interest paid	(533,216)
Capital appropriations	515,596
Purchase of capital assets	(1,795,964)
Net cash used by capital financing activities	<u>(4,513,584)</u>
Net increase in cash and cash equivalents	3,201,120
Cash and cash equivalents, beginning of year	<u>21,077,975</u>
Cash and cash equivalents, end of year	<u>\$ 24,279,095</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (50,579,394)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	3,681,746
Bad debt expense	15,889
Changes in assets and liabilities	
Accounts receivable, net	527,573
Due from component unit	(410,061)
Inventory	30,754
Prepaid expenses and other assets	(37,730)
Accrued liabilities	126,923
Unearned revenue	(123,177)
Accounts payable	524,598
Other liabilities	(39)
Net pension liability and related deferred inflows and outflows	12,024,044
Net OPEB liability and related deferred inflows and outflows	(920,704)
Net cash used by operating activities	<u>\$ (35,139,578)</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Statement of Fiduciary Assets and Liabilities
June 30, 2019**

	Agency Funds
Assets	
Current Assets:	
Cash	\$ <u>324,470</u>
Total current assets	<u>324,470</u>
Non-current assets:	
Capital assets, net of accumulated depreciation of \$307,405	<u>-</u>
Total non-current assets	<u>-</u>
Total assets	<u>\$ 324,470</u>
Liabilities	
Accounts Payable	\$ 11,158
Due to other organizations	<u>313,312</u>
Total liabilities	<u>\$ 324,470</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

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, 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 5.

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.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

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.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

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. Receivables

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

8. 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.

9. 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.

10. 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.

11. 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 2019 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.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. 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.

13. Compensated Absences

Accumulated annual leave is reported as a liability. Annual leave is provided to full and part-time regular employees. Up to 240 hours of annual leave may be accumulated and carried over after August 31st of each year.

14. 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.

15. 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.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. 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 \$1,822,717 as of June 30, 2019 based on levied tax information received from the County Treasurer's offices.

17. 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, 2019 totaled \$1,975,216.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

18. 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.

19. 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 2019, therefore, no provision for income taxes is included in the financial statements.

20. 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 and OPEB liability calculations, and the current portion of accrued compensated absences.

21. 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.

22. Postemployment Benefits Other than Pensions (OPEB)

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

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

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 46 through 49 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, 2019.

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

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.

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019

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, 2019, \$24,758,994 of the College's bank balance of \$28,258,994 was exposed to custodial credit risk. \$18,390,048 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the College's name and \$8,500,223 was uninsured and uncollateralized.

	Bank of Albuquerque	Century Bank	Total
Amount of deposits	\$ 4,235,768	21,023,226	25,258,994
FDIC coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	3,985,768	20,773,226	24,758,994
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the College's name	6,117,045	12,273,003	18,390,048
Uninsured and uncollateralized	-	8,500,223	8,500,223
Collateral requirement (50%)	1,992,884	10,386,613	12,379,497
Over (under) collateralization	\$ 4,124,161	1,886,390	6,010,551

The collateral pledged is listed on page 52 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	\$ 25,258,994
Petty cash	14,218
Subtract reconciling items	(669,647)
Total net deposits and investments	\$ 24,603,565
Statement of Net Position	
Cash and cash equivalents	\$ 19,076,168
Restricted cash and cash equivalents	5,202,927
Agency Cash	324,470
Cash and cash equivalents and investments, end of year	\$ 24,603,565

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

NOTE 4 – ACCOUNTS RECEIVABLE

The College’s accounts receivable at June 30, 2019 represent revenues earned from student tuition and fees, loans, advances to students, local tax levy, federal government grants and contracts, and State of New Mexico agencies that include pass through federal and state grants. All amounts, 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	\$	2,299,141
Grants and contracts		1,666,172
Mill levy		1,822,717
Due from component unit		557,769
Other		437,043
		<u>6,782,842</u>
Less allowance for uncollectible accounts		<u>(1,738,053)</u>
Total accounts receivable, net	\$	<u>5,044,789</u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

NOTE 5 – CAPITAL ASSETS

The following table summarizes the changes in capital assets during the fiscal year ended June 30, 2019, as reported in the Statement of Net Position. Construction in progress, artwork, and land are not subject to depreciation.

	Balance June 30, 2018	Additions/ Reclassifications	Retirement/ Reclassifications	Balance June 30, 2019
Capital assets not being depreciated				
Construction in progress	\$ 197,283	408,540	(197,283)	408,540
Artwork	205,465	-	-	205,465
Land	5,868,799	-	-	5,868,799
	<u>6,271,547</u>	<u>408,540</u>	<u>(197,283)</u>	<u>6,482,804</u>
Depreciable assets				
Land and Leasehold Improvements	3,844,156	-	-	3,844,156
Buildings	107,700,648	678,839	-	108,379,487
Infrastructure	15,355,830	186,205	-	15,542,035
Library books	1,287,566	8,875	(4,200)	1,292,241
Equipment, Furnishings, and Software	9,408,216	720,468	(224,529)	9,904,155
	<u>137,596,416</u>	<u>1,594,387</u>	<u>(228,729)</u>	<u>138,962,074</u>
Total capital assets	<u>143,867,963</u>	<u>2,002,927</u>	<u>(426,012)</u>	<u>145,444,878</u>
Less accumulated depreciation for				
Land and Leasehold Improvements	(3,553,524)	(34,284)	-	(3,587,806)
Buildings	(33,241,845)	(2,320,475)	-	(35,562,320)
Infrastructure	(6,791,922)	(658,595)	-	(7,450,516)
Library books	(1,256,383)	(10,090)	4,200	(1,262,275)
Equipment, Furnishings, and Software	(6,476,646)	(658,302)	214,852	(6,920,097)
	<u>(51,320,320)</u>	<u>(3,681,746)</u>	<u>219,052</u>	<u>(54,783,014)</u>
Capital assets, net	<u>\$ 92,547,643</u>	<u>(1,678,819)</u>	<u>(206,960)</u>	<u>90,661,864</u>

The Foundation holds artwork as capital assets that are not subject to depreciation. As of June 30, 2019, the total balance of artwork was \$802,443, with \$33,260 in additions for the fiscal year.

NOTE 6 – 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 New Mexico Public Schools Insurance Authority. The college has a property limit of \$750,000,000 per occurrence and for new construction a limit of \$25,000,000 per occurrence. The liability limit per occurrence is in alignment with the NM Tort Claims Act, Maximum Liability 41-4-19 NMSA 1976. The College's cyber insurance policy has an annual aggregate limit of \$2,000,000. The policy includes the Training Center and the Foundation. The policy is from July 1, 2019 to June 30, 2020.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

NOTE 7 – COMPENSATED ABSENCES

Accumulated annual leave is accrued when incurred. Employees entitled to earn annual leave do so at various rates based on number of hours worked. Up to 240 hours of annual leave may be accumulated and carried over after August 31st of each year. Accumulated annual leave is paid out upon termination. Sick leave is not paid out upon termination; accordingly, no liability for sick leave is recorded by the College.

The College had a liability for accrued vacations as of June 30, 2019 as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Current
Accrued compensated absences	\$ 1,182,161	992,062	865,139	1,309,084	1,042,300

NOTE 8 – ACCRUED EXPENSES

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

Accrued salaries payable	\$ 650,433
Accrued benefits payable	634,706
Accrued payroll taxes	194,798
Total accrued expenses	\$ <u>1,479,937</u>

NOTE 9 – 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, liability and workers compensation insurance coverage with NMPSIA. 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, 2019, the College had no outstanding material commitments.

NOTE 10 – OPERATING LEASE

The College leases copiers under an operating lease. At June 30, 2019, future minimum lease payments applicable to the operating lease are as follows:

Operating Lease Year Ending June 30	
2020	\$ <u>15,696</u>
	\$ <u>15,696</u>

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019

NOTE 11 – 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.

On February 6, 2018, community college district voters approved the issuance of \$17,000,000 in local general obligation bonds for the purposes of furnishing, constructing an automotive center, purchasing, remodeling, and equipping buildings and utility facilities, making other real property improvements, and purchasing and installing computer hardware and software. Subsequent to voter approval, the board approved the sale of Series 2018 A bonds in the principal amount of \$4,750,000. The Series 2018 A bonds were issued with a maturity date of August 1, 2030. The Series 2018 A bonds have an early redemption provision, which allows the College to retire outstanding bonds after August 1, 2027.

	Series 2010	Series 2013	Series 2018A
Original Issue: \$	20,000,000	15,000,000	4,750,000
Principal:	August 1	August 1	August 1
Interest:	February 1	February 1	February 1
Interest Rates:	2.25% - 3.00%	2.00% - 4.00%	3.00% - 5.00%
Maturity Date:	8/1/2020	8/1/2024	8/1/2030

	Description	Principal			Principal	
		Outstanding 6/30/2018	Additions	Retirements	Outstanding 6/30/2019	Due Within One Year
Bonds	Series 2010	6,835,000	-	1,700,000	5,135,000	2,650,000
	Series 2013	6,800,000	-	1,000,000	5,800,000	1,000,000
	Series 2018A	4,750,000	-	-	4,750,000	100,000
Total Bonds:		18,385,000	-	2,700,000	15,685,000	3,750,000
Bond Premium:		591,137	-	156,668	434,469	-
Total Long-Term Debt		18,976,137	-	2,856,668	16,119,469	3,750,000

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019

NOTE 11 – BONDS PAYABLE (CONTINUED)

The annual debt service requirements to maturity, including principal and interest for Bonds Series 2010, Series 2013, and Series 2018A long-term debt as of June 30, 2019 are as follows:

Bond Series 2010			
Year Ending June 30,	Principal Payments	Interest	Total
2020	\$ 2,650,000	107,675	2,757,675
2021	2,485,000	37,275	2,522,275
Totals	\$ 5,135,000	144,950	5,279,950

Bond Series 2013			
Year Ending June 30,	Principal Payments	Interest	Total
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	1,000,000	46,000	1,046,000
2024	900,000	27,000	927,000
2025	900,000	9,000	909,000
Totals	\$ 5,800,000	430,000	6,230,000

Bond Series 2018A			
Year Ending June 30,	Principal Payments	Interest	Total
2020	\$ 100,000	201,000	301,000
2021	400,000	188,500	588,500
2022	425,000	167,875	592,875
2023	425,000	146,625	571,625
2024	425,000	125,375	550,375
2025-2029	2,125,000	325,125	2,450,125
2030-2031	850,000	25,000	875,500
Totals	\$ 4,750,000	1,180,000	5,930,000

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
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NOTE 12 – 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 a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan 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.

Pension 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.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
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NOTE 12 – 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.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
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NOTE 12 – 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 1.5%. 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 1.7%.

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, 2019 and 2018 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer	Combined	Increase Over Prior Year
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%	0.00%
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%	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 year ended June 30, 2019, the College paid employee and employer contributions of \$2,224,349 and \$3,056,183 which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

NOTE 12 – 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, 2019, the College reported a liability of \$91,811,777 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The College’s proportion of the net pension liability was based on a projection of the College’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, 2018, the College’s proportion was 0.77209%, which was a decrease of 0.04034% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the College recognized pension expense of \$15,075,155. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 67,007	(1,747,326)
Changes in assumptions	18,921,973	-
Net difference between projected and actual earnings on pension plan investments	203,248	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	1,455,657	(2,328,478)
The College's contributions subsequent to the measurement date	3,056,183	-
	<u>\$ 23,704,068</u>	<u>(4,075,804)</u>

Deferred outflows of resources totaling \$3,056,183 represent the College’s contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2020	10,875,013
2021	6,329,871
2022	(635,478)
2023	2,675
2024	-
Thereafter	-

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NOTE 12 – PENSION PLAN– EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Actuarial assumptions: The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%										
Salary increases	Composed of 3.25% 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	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average of Expected Remaining Service Lives	<table border="0"> <tr> <td style="padding-right: 20px;">Fiscal year</td> <td style="text-align: center;"><u>2017</u></td> <td style="text-align: center;"><u>2016</u></td> <td style="text-align: center;"><u>2015</u></td> <td style="text-align: center;"><u>2014</u></td> </tr> <tr> <td>Service life in years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </table>	Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.35	3.77	3.92	3.88
Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.</p> <p>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.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>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.</p>										

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
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June 30, 2019**

NOTE 12 – PENSION PLAN– EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Retirement Age	Experience-based table rates based on age and service, adopted by the Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.
Cost of Living	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, disabled retirees, until July 1 of the third year following retirement.
Payroll growth	3.00% per year (with no allowance for membership growth).
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances 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 April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

The long-term expected rate of return on pension plan investments was determined using a building-block approach that includes the following:

- Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	33%	
Fixed income	26	
Alternatives	40	
Cash	1	
Total	100%	7.25%

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

NOTE 12 – PENSION PLAN– EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Discount rate. A single discount rate of 5.69% was used to measure the total ERB pension liability as of June 30, 2018. This is .21% less than the 5/90% discount rate used for June 30, 2017. The June 30, 2018 single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.62%. Based on the stated assumptions and the projection of cash flows, the Plan’s fiduciary net position and future contributions were projected to be available to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine the June 30, 2018 single discount rate assumed that plan member and employer contribution will be made at the current statutory levels.

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 5.69 percent, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
College's proportionate	<u>4.69%</u>	<u>5.69%</u>	<u>6.69%</u>
Share of the net pension liability \$	<u>119,320,147</u>	<u>91,811,777</u>	<u>69,366,665</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. The College remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2019, the College owed the ERB \$205,329 for the contributions withheld in the month of June 2019.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

NOTE 13 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

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

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

Plan membership

Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	<u>156,025</u>

Active membership

State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>93,349</u>

Contributions— Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the College were \$434,713 for the year ended June 30, 2019.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

NOTE 13 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

At June 30, 2019, the College reported a liability of \$22,053,116 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The College's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the College's proportion was 0.50716 percent.

For the year ended June 30, 2019, the College recognized OPEB income of \$487,002. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	(1,305,686)
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	(275,215)
Changes of Assumptions	-	(4,117,219)
Changes in Proportion	-	(2,160,292)
Contributions made after the measurement date	434,713	-
Total	\$ <u>434,713</u>	<u>(7,858,412)</u>

Deferred outflows of resources totaling \$434,713 represents the College's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in the OPEB expense as follows:

Year ended June 30:	
2020	\$ (1,905,458)
2021	(1,905,458)
2022	(1,905,458)
2023	(1,575,733)
2024	<u>(566,305)</u>
Total	\$ <u>(7,858,412)</u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

NOTE 13 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA members
Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non- Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB member: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females)
	PERA Members: RP-2000 Combined Healthy Mortality

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

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

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	2.1%
U.S. equity - large cap	7.1%
Non U.S. - emerging markets	10.2%
Non U.S. - developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

NOTE 13 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the College, as well as what the College’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

	1% Decrease (3.08%)	Current Discount (4.08%)	1% Increase (5.08%)
Share of the net OPEB liability	\$ 26,689,464	22,053,116	18,398,641

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

	1% Decrease	Current Trend Rate	1% Increase
Share of the net OPEB liability	\$ 18,642,615	22,053,116	24,727,026

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2018.

Payable Changes in the Net OPEB Liability. At June 30, 2019, the College reported a payable of \$5,792 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

NOTE 14 – ALTERNATIVE RETIREMENT PROGRAM

An amendment to the Educational Retirement Act permits the establishment of an Alternative Retirement Plan (ARP) for the 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 10.9% of the gross covered salary for employees earning \$20,000 or less, and 10.90% 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 12). For the year ended June 30, 2019, the Santa Fe Community College contributed \$65,227 to TIAA-CREF.

NOTE 15 – TAX ABATEMENT

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

Year ended June 30, 2019		
Government name	Taxes being abated	Gross dollar amount
City of Santa Fe, New Mexico	Property tax	\$ 68,664
		<u>\$ 68,664</u>

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 \$1,565,295 at June 30, 2019.

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 be 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 amount of \$250,000 and collateralized by collateral held by the pledging bank’s trust department. As of June 30, 2019, \$1,119,297 of the Foundation’s bank balance of \$1,369,297 was exposed to custodial credit risk. As of June 30, 2019, \$336,705 was uninsured and collateralized and \$782,592 was uninsured and uncollateralized. The money market mutual funds held by the Foundation are not insured by the FIDC, however they are not subject to custodial credit 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, 2019 follows:

Mutual Funds - Equities	\$ 5,025,422
Mutual Funds - Bonds	3,014,790
Exchange Traded- Equities	24,215
Exchange Traded – Fixed Income	<u>7,584</u>
	<u>\$ 8,072,011</u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

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

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, 2019 is as follows:

<u>Investment Type</u>	<u>Custodian</u>	<u>Fair Value</u>
Mutual Funds - Equities	Fidelity Investments	\$ 5,025,422
Mutual Funds - Bonds	Fidelity Investments	3,014,790
Exchange Traded - Equities	Fidelity Investments	24,215
Exchange Traded - Fixed Income	Fidelity Investments	7,584
		<u>\$ 8,072,011</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.

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, 2019.

<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	\$ 1,369,297	1,367,981
Fidelity Investments	Money Market Mutual Funds	197,314	197,314
Total Deposits		<u>1,566,611</u>	<u>1,565,295</u>
Investment Accounts			
Fidelity Investments	Mutual Funds - Equities	5,025,422	5,025,422
Fidelity Investments	Mutual Funds - Bonds	3,014,790	3,014,790
Fidelity Investments	Exchange Traded Equities	24,215	24,215
Fidelity Investments	Exchange Traded - Fixed	7,584	7,584
Total Investments		<u>\$ 8,072,011</u>	<u>8,072,011</u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation does not have a policy on investment credit risk. At June 30, 2019, the Foundation’s bond and money market mutual funds are subject to credit risk, however, they are unrated.

<u>Investment Type</u>	<u>Rating</u>	<u>Percentage</u>
Money Market Funds:		
Fidelity Treasury Money Market	AAA	2.26%
Bond Mutual Funds:		
Vanguard Inter-Term Inv	A	9.28%
Vanguard Short-Term Inv	A	9.40%
Vanguard Short-Term Corp	A	0.09%
Fidelity Floating Rate	B	5.15%
Blackrock Strategic Income	BB	0.03%
Templeton Global Total Return	BB	4.49%
Doubleline Total Return	BB	6.59%

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation does not have a policy to limit its exposure to interest rate risk. At June 30, 2019, Foundation’s bond mutual funds are subject to interest rate risk.

Investment Income

For the year ended June 30, 2019, components of investment income were as follows:

Interest and dividend income	\$	317,138
Net unrealized and realized loss		(46,415)
Investment and management fees and taxes		(31,300)
Total Net Investment Income	\$	<u><u>239,423</u></u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2019**

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

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, 2019:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investment held by the Foundation:				
Mutual Funds – Equities	\$ 5,025,422	5,025,422	-	-
Mutual Bonds – Bonds	3,014,790	3,014,790	-	-
Exchange Traded – Equities	24,215	24,215	-	-
Exchange Traded – Fixed Income	<u>7,584</u>	<u>7,584</u>	<u>-</u>	<u>-</u>
Total investments subject to leveling	\$ <u>8,072,011</u>	<u>8,072,011</u>	<u>-</u>	<u>-</u>
Investments measured at the net asset value (NAV):	\$ <u>-</u>			
Total investments	\$ <u>8,072,011</u>			

NOTE 17 – SUBSEQUENT EVENTS

Subsequent to June 30, 2019, the College issued the Series 2019 bond of \$7.5 million with a maturity date of August 1, 2031. The proceeds of this issue will be used to furnish, purchase, remodel and equip buildings and utility facilities and to make other real property improvements and install computer hardware and software.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Schedule of Proportionate Share of the Net Pension Liability
June 30, 2019**

**New Mexico Educational Retirement Board Pension Plan
For Last 10 Fiscal Years*
(Dollars in Thousands)**

Fiscal Year Measurement Date	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
College's Proportion of the Net Pension Liability (Asset)	0.77209%	0.81243%	0.78059%	0.74256%	0.00%
College's Proportionate Share of Net Pension Liability (Asset)	91,812	90,289	56,175	48,098	44,962
College's Covered-Employee Payroll	22,486	22,292	23,930	20,274	22,556
College's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	408.31%	405.03%	234.75%	237.24%	199.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.17%	52.95%	61.58%	63.97%	66.54%

* 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.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Schedule of the College System Contributions
June 30, 2019**

**New Mexico Educational Retirement Board Pension Plan
For Last 10 Years*
(Dollars in Thousands)**

	2019	2018	2017	2016	2015
Statutory required contributions	2,999	3,216	3,099	3,159	2,992
Contributions in Relation to the Contractually Required Contribution	2,999	3,216	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.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Schedule of Proportionate Share of the Net OPEB Liability
June 30, 2019**

New Mexico Retiree Health Care OPEB Plan

	<u>2019*</u>	<u>2018</u>
Employer's portion of the net OPEB liability	0.50716%	0.55422%
Employer's proportionate share of the net OPEB liability	\$ 22,053,116	25,115,438
Employer covered-employee payroll	\$ 21,760,292	23,086,851
Employer's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	101.35%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the College will present information for available years.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Schedule of Employer's Contributions
June 30, 2019**

New Mexico Retiree Health Care OPEB Plan

	<u>2019*</u>	<u>2018</u>
Contractually required contributions	\$ 792,522	1,759,909
Contributions in relation to the contractually required contribution	<u>782,746</u>	<u>883,278</u>
Contribution deficiency (excess)	\$ <u>9,776</u>	<u>876,631</u>
Employer's covered-employee payroll	\$ 21,760,292	23,086,851
Contributions as a percentage of covered-employee payroll	3.60%	3.83%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the College will present information for available years.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to Required Supplementary Information
For the Year Ended June 30, 2019**

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

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

*Refer the RHCA Report for the OPEB related notes.

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, 2019**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Instruction and general	\$ 37,871,970	41,069,446	40,582,162	(487,284)
Student social and cultural	118,659	112,789	119,898	7,109
Public service	6,985,449	5,421,020	7,594,545	2,173,525
Internal service	6,500	6,300	4,492	(1,808)
Student aid, grants, and stipends	8,265,509	7,255,499	5,404,236	(1,851,263)
Auxiliary enterprises	2,090,000	1,848,268	1,840,669	(7,599)
Capital outlay	11,665,857	7,261,969	1,043,854	(6,218,115)
Retirements of indebtedness	3,306,362	3,176,376	4,195,285	1,018,909
Total revenues	<u>70,310,306</u>	<u>66,151,667</u>	<u>60,785,141</u>	<u>(5,366,526)</u>
Expenditures:				
Instruction and general	36,913,041	36,578,544	36,161,633	(416,911)
Student social and cultural	118,659	118,659	64,586	(54,073)
Public services	6,986,163	9,259,493	8,282,302	(977,191)
Internal services	6,500	6,300	51,128	44,828
Student aid grants and stipends	9,035,509	8,055,499	5,964,218	(2,091,281)
Auxiliary enterprises	2,039,867	1,846,288	1,881,774	35,486
Plant operations	11,665,857	4,763,673	2,691,195	(2,072,478)
Building renewals and replacements	-	-	-	-
Retirements of indebtedness	3,306,362	3,176,376	3,077,281	(99,095)
Total expenditures	<u>70,071,958</u>	<u>63,804,832</u>	<u>58,174,117</u>	<u>(5,630,715)</u>
Net transfers to (from)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position (budgetary basis)	<u>238,348</u>	<u>2,346,835</u>	<u>2,611,024</u>	<u>264,189</u>
Beginning net position	<u>11,806,327</u>	<u>15,984,891</u>	<u>15,729,104</u>	<u>(255,787)</u>
Ending net position	<u>\$ 12,044,675</u>	<u>18,331,726</u>	<u>18,340,128</u>	<u>8,402</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, 2019**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Tuition and fees	\$ 7,373,390	6,962,479	6,963,789	1,310
State govt appropriations	9,915,100	9,915,100	10,006,800	91,700
Local govt appropriations	17,800,525	19,496,624	20,277,253	780,629
Sales and services & other	160,000	121,000	221,439	100,439
Total revenues	<u>35,249,015</u>	<u>36,495,203</u>	<u>37,469,280</u>	<u>974,077</u>
Expenditures:				
Instruction	15,965,156	15,965,156	15,349,407	(615,749)
Academic support	3,654,899	3,654,899	3,433,109	(221,790)
Student services	3,477,878	3,477,878	3,348,773	(129,105)
Institutional support	6,815,814	6,815,814	6,332,775	(483,039)
Operation and maintenance of plant	4,376,339	4,446,339	4,328,829	(117,510)
Total expenditures	<u>34,290,086</u>	<u>34,360,086</u>	<u>32,792,893</u>	<u>(1,567,193)</u>
Net Transfers to (from)	<u>(928,212)</u>	<u>(4,387,212)</u>	<u>(4,359,955)</u>	<u>27,257</u>
Change in net position (budgetary basis)	<u>30,717</u>	<u>(2,252,095)</u>	<u>316,432</u>	<u>2,568,527</u>
Beginning net position	<u>1,013,059</u>	<u>3,300,535</u>	<u>3,300,606</u>	<u>71</u>
Ending net position	<u>\$ 1,043,776</u>	<u>1,048,440</u>	<u>3,617,038</u>	<u>2,568,598</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, 2019**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Federal govt grants and contracts	\$ 1,675,403	2,392,794	1,306,637	(1,086,157)
State govt grants and contracts	747,153	1,016,508	905,231	(111,277)
Private gifts, grants, and contracts	121,966	800,139	762,397	(37,742)
Local govt grants and contracts	78,433	364,802	138,617	(226,185)
Other sources	-	-	-	-
Total revenues	<u>2,622,955</u>	<u>4,574,243</u>	<u>3,112,882</u>	<u>(1,461,361)</u>
Expenditures:				
Instruction	1,256,639	798,086	1,492,858	694,772
Academic support	1,026,125	1,201,646	1,419,678	218,032
Student servicess	288,453	126,743	366,672	239,929
Institutional support	51,738	91,983	81,318	(10,665)
Plant Operations & Maint.	-	-	8,214	8,214
Total expenditures	<u>2,622,955</u>	<u>2,218,458</u>	<u>3,368,740</u>	<u>1,150,282</u>
Net Transfers to (from)	<u>-</u>	<u>(2,355,785)</u>	<u>255,858</u>	<u>-</u>
Change in net position (budgetary basis)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Beginning net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending net position	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Reconciliation of Budgetary Basis to Financial Statement Basis
Unrestricted and Restricted
All Operations
For the Year Ended June 30, 2019**

Total Unrestricted and Restricted Revenues:	
Budgetary Basis	\$ <u>60,785,141</u>
Reconciling Items:	
Scholarship allowance (not in budgetary basis)	(1,975,216)
State appropriations, capital	<u>(515,596)</u>
Total reconciling items	<u>(2,490,812)</u>
GAAP Basis	\$ <u><u>58,294,329</u></u>
Basic Financial Statements	
Operating revenues	\$ 15,440,047
Non-operating revenues	<u>42,854,282</u>
Total Unrestricted and Restricted Revenues per Financial Statements	\$ <u><u>58,294,329</u></u>
Total Unrestricted and Restricted Expenditures:	
Budgetary Basis	\$ <u>58,174,117</u>
Reconciling Items:	
Bond payment (not in financial statements)	(2,700,000)
Scholarship allowance (not in budgetary basis)	(1,975,216)
Capital outlay (not in financial statements)	(1,736,309)
Depreciation expense (not in budgetary basis)	3,681,746
Pension and OPEB expense (not in budgetary basis)	11,103,340
Other items	<u>(151,689)</u>
Total reconciling items	<u>8,221,872</u>
GAAP Basis	\$ <u><u>66,395,989</u></u>
Basic Financial Statements	
Operating expenditures	\$ 66,019,441
Non-operating expenditures	<u>376,548</u>
Total Unrestricted and Restricted Expenditures per Financial Statements	\$ <u><u>66,395,989</u></u>

SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Schedule of Changes in Fiduciary Assets and Liabilities
June 30, 2019**

	<u>June 30, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2019</u>
Phi Theta Kappa Club	\$ 3,742	1,580	262	5,060
Smiles Club	381	428	190	619
Clay Club	10,271	11,889	12,367	9,793
Nursing Club	492	1,107	-	1,599
LGBT Pride	81	-	-	81
ASL Deaf & Hard of Hearing	100	-	-	100
The Film Club	305	-	-	305
RT Inspiring	37	4,382	2,903	1,516
Solar Club	3,902	-	-	3,902
Student Activities	-	-	-	-
Glass Club	737	2,786	2,245	1,278
Veterans Club	3,395	-	-	3,395
Native American Club	1,318	-	370	948
Fashion Club	3,031	-	1,109	1,922
Aquaculter and Hydroponics Club	1,081	142	456	767
Figure Club	130	679	557	252
Bondage Breakers Motivational Club	-	-	-	-
NSLS Craft Club	146	1,716	725	1,137
Freedom Ambassadors Club	812	2,002	2,165	649
Sculpture Union	2,087	1,044	-	3,131
Hospitality and Tourism Club	1,177	807	1,007	977
Student Ambassadors	372	-	141	231
Toastmasters Club	645	250	240	655
Fellowship of Gamers Club	-	1,393	1,393	-
Student Activities Locker Fee	-	130	0	130
SUN On-Line	2,325	-	-	2,325
NMICC	153,175	228,023	199,623	181,575
First Year Student Success	492	1,319	-	1,811
Training Center	55,523	-	-	55,523
Film Crew Training	1,855	-	1,176	679
Training Center Entrepreneurship	44,110	-	-	44,110
Total agency fund cash	<u>291,722</u>	<u>259,677</u>	<u>226,929</u>	<u>324,470</u>
Accounts Receivable	-	-	-	-
Capital Assets	1,176	306,229	307,405	-
Less: Accounts Payable	<u>-</u>	<u>-</u>	<u>(11,158)</u>	<u>11,158</u>
Due to other organizations	<u>\$ 292,898</u>	<u>565,906</u>	<u>545,492</u>	<u>313,312</u>

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Schedule of Deposit and Investment Accounts
June 30, 2019

Account Name	Type	Component Unit						
		Bank of Albuquerque	Operational Century Bank	Payroll Century Bank	Total	Century Bank	Fidelity	Total
Payroll Cash Account	Payroll	-	-	36,961	36,961	-	-	-
Operating	Checking	-	20,986,265	-	20,986,265	-	-	-
Operating	Checking	4,235,768	-	-	4,235,768	-	-	-
Foundation - Operating Account	Checking	-	-	-	-	1,369,297	-	1,369,297
Exchange Traded - Equities/Fixed Income	Investments	-	-	-	-	-	31,799	31,799
Mutual Funds - Bonds/Equities	Investments	-	-	-	-	-	8,040,212	8,040,212
Amounts on Deposit		4,235,768	20,986,265	36,961	25,258,994	1,369,297	8,072,011	9,441,308
Outstanding items		967,159	(1,625,083)	(11,723)	(669,647)	195,998	-	195,998
		<u>\$ 5,202,927</u>	<u>19,361,182</u>	<u>25,238</u>		<u>1,565,295</u>	<u>8,072,011</u>	
				Petty Cash	\$ 14,218			\$ -
					<u>\$ 24,603,565</u>			<u>\$ 9,637,306</u>
		Reconciliation to the Statement of Net Position:						
				Cash and cash equivalents	\$ 19,076,168			\$ 1,565,295
				Restricted cash and cash equivalents	5,202,927			-
				Agency fund cash	324,470			-
				Short-term investments	-			<u>8,072,011</u>
				Total deposits and investments	<u>\$ 24,603,565</u>			<u>\$ 9,637,306</u>

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Schedule of Pledged Collateral
June 30, 2019

Security	Location	Maturity	Fair Market Value June 30, 2019
FHLB-DALLAS (CUSIP 12340TAT7)	Century Bank	July 1, 2032	\$ 1,140,660
FHLB-DALLAS (CUSIP 249015C89)	Century Bank	December 1, 2034	1,183,220
FHLB-DALLAS (CUSIP 446355DV8)	Century Bank	January 15, 2036	1,214,890
FHLB-DALLAS (CUSIP 474176KJ2)	Century Bank	December 1, 2035	1,195,070
FHLB-DALLAS (CUSIP 59261AFS1)	Century Bank	November 15, 2037	1,177,580
FHLB-DALLAS (CUSIP 64972GSQ8)	Century Bank	June 15, 2040	1,230,210
FHLB-DALLAS (CUSIP 682001EC2)	Century Bank	February 1, 2034	1,150,180
FHLB-DALLAS (CUSIP 787350CN5)	Century Bank	October 1, 2037	1,196,300
FHLB-DALLAS (CUSIP 7925GAX1)	Century Bank	February 1, 2038	2,195,943
FHLB-DALLAS (CUSIP 847184TW8)	Century Bank	December 1, 2034	588,950
FN BD2472 (CUSIP 3140F9XA8)	Bank of Albuquerque	January 1, 2032	743,941
FHMS K721 A1 (CUSIP 3137BM6N1)	Bank of Albuquerque	January 25, 2022	595,353
FHMS K721 A1 (CUSIP 3137BM6N1)	Bank of Albuquerque	January 25, 2022	178,606
FHMS K721 A1 (CUSIP 3137BM6N1)	Bank of Albuquerque	January 25, 2022	297,677
FN AL6163 (CUSIP 3138ENZ51)	Bank of Albuquerque	November 1, 2021	130,743
FN AL6163 (CUSIP 3138ENZ51)	Bank of Albuquerque	November 1, 2021	130,743
FN AL6163 (CUSIP 3138ENZ51)	Bank of Albuquerque	November 1, 2021	130,743
FN AL6163 (CUSIP 3138ENZ51)	Bank of Albuquerque	November 1, 2021	196,114
FN AL6163 (CUSIP 3138ENZ51)	Bank of Albuquerque	November 1, 2021	326,856
FN AL6163 (CUSIP 3138ENZ51)	Bank of Albuquerque	November 1, 2021	385,691
FN AL6163 (CUSIP 3138ENZ51)	Bank of Albuquerque	November 1, 2021	392,228
FN AL6163 (CUSIP 3138ENZ51)	Bank of Albuquerque	November 1, 2021	588,342
FHR 4338 CA (CUSIP 3137BB3B4)	Bank of Albuquerque	May 15, 2044	728,720
FHR 4338 CA (CUSIP 3137BB3B4)	Bank of Albuquerque	May 15, 2044	101,944
FHR 4338 CA (CUSIP 3137BB3B4)	Bank of Albuquerque	May 15, 2044	1,019,438
FHR 4338 CA (CUSIP 3137BB3B4)	Bank of Albuquerque	May 15, 2044	169,906
			\$ 18,390,048

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. Brian Colón, New Mexico State Auditor

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, 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, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Audit Standards*.

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, 2019

**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. Brian Colón, 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, 2019. 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, 2019.

Report on Internal Control over Compliance

Management of the College, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on 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, 2019

STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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		\$	\$4,046,334
421612, 421611, 421622, 421632	Federal Direct Student Loans	84.268			\$574,565
421402	Federal Supplemental Educational Opportunity Grants	84.007			\$83,414
425100	Federal Work-Study Program	84.033			\$86,577
Total Department of Education					\$4,790,890
Total Student Financial Assistance Cluster					\$4,790,890
Research and Development-Cluster					
National Science Foundation					
411015	SimBuilding	47.076			\$1,280
411017	Online Tech - Education	47.076			\$9,870
411032	EPSCOR Infrastructure Seed - UNM	47.083	063034-87G6		\$18,000
411059	Stem Grant - NMIMT	47.076	STEM10-710415		\$2,500
411129	VESTA National Ctr for Excell - MSU	47.076	16043-010		\$13,173
Total National Science Foundation					\$44,823
Total Research and Development Cluster					\$44,823
TRIO - Cluster					
Department of Education					
411210	TRIO Student Support Services	84.042			\$242,096
Total TRIO Cluster					\$242,096
Other Programs					
Department of Labor					
411230	TAACCCT - SUNPATH	17.282		\$183,001	\$277,010
Total Department of Labor					\$183,001
Department of Education					
411066	Perkins - Voc Access NMPED	84.048A			\$211,626
411067	Perkins - Voc Access Redistribution NMPED	84.048A			\$35,203
411313	Adult Education	84.002	V002A160032		\$232,849
Total Department of Education					\$479,678
Department of Agriculture Food and Nutrition Service					
411094	State of NM CYFD	10.558			\$72,665
Total Department of Agriculture Food and Nutrition					\$72,665
Small Business Administration					
411124	NMSBDC	12.002			\$299,169
411128	NMSBDC Jan-Dec 2017	12.002			\$401,087
					\$700,256
Office of Naval Research					
411130	PTAP Apr 18-Mar 19	59.037			\$154,092
411131	PTAP Apr 18-Mar 19	59.037			\$289,398
411132	PTAP Apr 19-Mar 20	59.037			\$99,176
411133	PTAP Apr 19-Mar 20	59.037			\$48,173
Total Office of Naval Research					\$590,839
Economic Development Administration					
411412	EDA - BEATTC	11.300			\$60,922
					\$60,922
Economic Protection Agency					
411411	EPA - Brownsfield Job Envir Training	66.814			\$107,974
					\$107,974
Department of Health and Human Services					
411304	NM AMP - NMSU	93-308	Q01618		\$521
Total Department of Health and Human Services					\$521
Total Expenditures of Federal Awards				\$	\$7,367,674

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2019**

Note 1. Basis of Presentation

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

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual 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. The 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, 2019.

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
June 30, 2019**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant 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>
84.063, 84.268, 84.007 & 84.033	Student Financial Assistance – Cluster	Unmodified

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

Auditee qualified as low-risk auditee? X Yes No

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
June 30, 2019**

B. FINDINGS—FINANCIAL STATEMENT AUDIT

None

C. FINDINGS—FEDERAL AWARDS

None

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Status of Prior Year Findings
June 30, 2019**

D. PRIOR YEAR FINDINGS

None

**STATE OF NEW MEXICO
SANTA FE COMMUNITY COLLEGE
Exit Conference
June 30, 2019**

EXIT CONFERENCE – COLLEGE

The contents of this report and its schedules related to the component unit were discussed on October 23, 2019. The following persons were in attendance:

Santa Fe Community College Personnel

Dr. Rebecca K. Rowley, President
Nick Telles, Vice President of Finance/CFO, SFCC
Jeremy Lovato, Chief Information Officer
Dr. George Gamble, Board Secretary
Amy Pell, CPA, Controller
Jessica Garcia, CPA, Assistant Controller
Rosella Varela, Accounts Payable Manager
Ann L. Trabauda, Grants Accounting Manager

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 23, 2019. The following persons were in attendance:

Santa Fe Community College Foundation Personnel

Deborah Boldt, Executive Director
Dr. Rebecca K. Rowley, President
Adam Stramel, Board Member
Nick Telles, Vice President of Finance/CFO, SFCC
Amy Pell, CPA, 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, 2019 by Axiom Certified Public Accountants and Business Advisors LLC. The responsibility for these financial statements remains with the College.