



**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**MOSS ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

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**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE**

**Listing of Principal Officials**

**June 30, 2013**

**BOARD OF TRUSTEES**

<b>Name</b>	<b>Title</b>
Abelino Montoya, Jr.	Chairman
Dan Romero	Vice Chairman
Kenneth Medina	Secretary
Frank E. Tenorio	Member
Ernie Chavez	Member
David Gutierrez	Member
Tony Valdez	Member

**ADMINISTRATIVE OFFICIALS**

<b>Name</b>	<b>Title</b>
Pete Campos	President
Donna Flores - Medina	Vice President for Finance & Administration

## REPORT OF INDEPENDENT AUDITORS

The Board of Trustees  
Luna Community College and  
Mr. Hector H. Balderas, New Mexico State Auditor

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Luna Community College (the "College") as of and for the year ended June 30, 2013 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 College'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.

The Board of Trustees  
Luna Community College and  
Mr. Hector H. Balderas, New Mexico State Auditor

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2013 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 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedule of Cash and Cash Equivalents, Schedule of Pledged Collateral and Schedule of Memorandums of Understanding, as required by the New Mexico State Audit Rule and the Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Cash and Cash Equivalents Accounts, Schedule of Pledged Collateral, Schedule of Memorandums of Understanding and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has

The Board of Trustees  
Luna Community College and  
Mr. Hector H. Balderas, New Mexico State Auditor

been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Cash and Cash Equivalents, Schedule of Pledged Collateral, Schedule of Memorandums of Understanding and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2013 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 results of that testing, and not to provide an opinion on 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 13, 2013

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

**INTRODUCTION**

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The management of Luna Community College (College or LCC) herewith presents its financial statements and required supplementary information for the year ended June 30, 2013. The following discussion and analysis provides an overview of the financial position and activities of the College and is intended to be user-friendly information for all readers.

This report is prepared as required to conform with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments*.

**THE BASIC FINANCIAL STATEMENTS**

Required under GASB 34/35 is the presentation of all of the College's year-end assets, liabilities and net position in one column, as is the presentation of its expense, revenues and the resulting change in net position, and its sources and uses of cash, in a one-column format. The purpose of these three reports is to show the College's financial position and annual activities in summary format, as if the College was a corporation, whereby all funds and cost centers are combined.

The three entity-wide reports, the **Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows**, are followed by the notes to the financial statements, including a comparison of the final budget to the original budget and of actual results to the final budget.

The **Statement of Net Position** presents the assets, liabilities and net position for the College as of the end of the fiscal year. The **Statement of Net Position** is a point-in-time financial statement which gives the readers a fiscal snapshot of the College presenting end of year data about assets (current and non-current), liabilities (current and non-current), and net position (assets minus liabilities).

Changes in total net position are based on the activity in the **Statement of Revenues, Expenses, and Changes in Net Position** namely the revenues received by the College, both operating and non-operating, and any other revenue, and the expense incurred by the College.

The third financial statement is the **Statement of Cash Flows** that represents the inflows and outflows of cash from operating, capital, financial and investing activities. The statement is prepared using the direct method.



**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

**REPORTING ENTITY**

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This financial report presents the basic financial statements of the College and any component units deemed material. The College's foundation was considered material and was presented as a component unit. The College has no other units to consider for inclusion in this report.

**Luna Community College  
Condensed Summary of Net Position  
June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Current assets	\$ 3,413,348	\$ 4,012,396
Capital assets, net of accumulated depreciation	19,872,153	19,824,419
Total Assets	<u>\$ 23,285,501</u>	<u>\$ 23,836,815</u>
<b>Liabilities</b>		
Current liabilities	\$ 886,990	\$ 948,360
Noncurrent liabilities	9,334	37,439
Total Liabilities	<u>\$ 896,324</u>	<u>\$ 985,799</u>
<b>Net Position</b>		
Net investment in capital assets	\$ 19,872,153	\$ 19,824,419
Restricted for expendable capital projects		
Unrestricted	2,517,024	3,026,720
<b>Total Net Position</b>	<u>\$ 22,389,177</u>	<u>\$ 22,851,139</u>

The College's current assets consist primarily of cash and other assets deemed to be consumed or convertible to cash within one year in the amount of \$3,413,348.

Current liabilities are amounts due within one year of \$886,990 and non-current liabilities, accrued compensated absences of \$9,334.

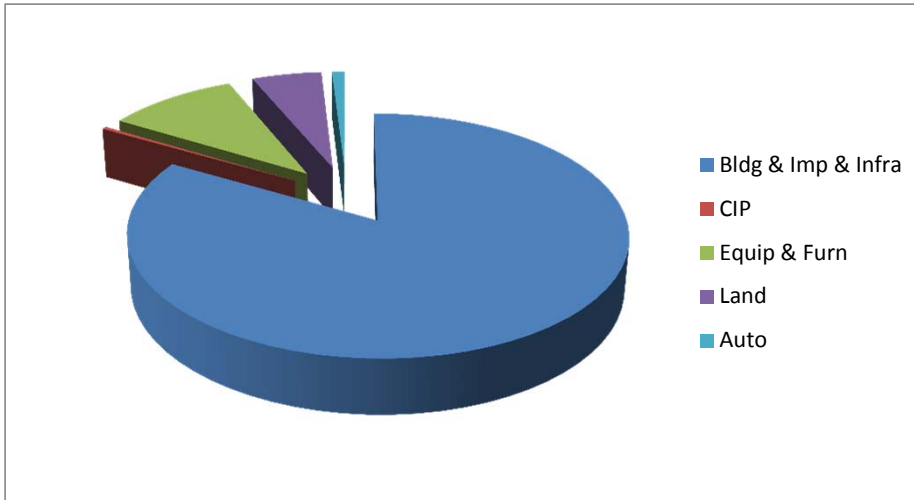
At June 30, 2013, the College's current ratio was nearly 4:1 comparing the amount of current assets, \$3,413,348 available to cover current liabilities, \$886,990. The largest category of non-current assets is capital assets, net of accumulated depreciation of \$19,872,153.

The Change in Net Position of 3% was not deemed significant for the College.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

**REPORTING ENTITY (Continued)**

Capital Assets at Cost



**Luna Community College  
Condensed Summary of Revenue, Expenses and Changes in Net Position  
For the Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues By Major Source</b>		
Tuition	\$ 542,001	\$ 602,035
Contracts and grants	4,798,426	5,167,017
Sales and services of auxiliary enterprises	752,500	805,413
Other	173,716	711,870
	<u>6,266,643</u>	<u>7,286,335</u>
<b>Operating Expenses By Major Function</b>		
Instruction	4,651,494	5,306,481
Academic support	1,184,802	1,241,093
Student services	1,403,056	1,414,678
Institutional support	2,181,699	2,185,605
Operating and maintenance support	1,925,584	2,435,388
Public service	474,977	539,406
Student aid	2,663,828	3,381,586
Auxiliaries	736,257	740,553
Agency/Athletics/Student Activities	473,767	
Depreciation	580,167	774,942
	<u>16,275,631</u>	<u>18,019,732</u>

STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013

**REPORTING ENTITY (Continued)**

<b>Nonoperating Revenue (Expense)</b>	<b>2013</b>	<b>2012</b>
Appropriations	\$ 7,549,392	\$ 9,098,214
Other	1,997,637	1,643,628
<b>Net nonoperating revenues</b>	<b>9,547,029</b>	<b>10,741,842</b>
 (Decrease) increase in net position	 (461,959)	 8,445
<b>Net Position, Beginning of Year</b>	<b>22,851,136</b>	<b>22,842,691</b>
<b>Net Position, End of Year</b>	<b>\$ 22,389,177</b>	<b>\$ 22,851,136</b>

Revenues in this reporting model are shown by source of funding. Operating revenues are generally defined as exchange transactions produced in conducting the primary business operations of the College, including instruction and public service. Non-operating revenues are generally defined as non-exchange revenues and include appropriations, gifts and investment income.

Significant changes are a decrease of \$1,194,813 in Non-operating Revenues, however, when netted against the decrease in Expenditures of \$1,744,101 the overall change in Net Position is only 3%.

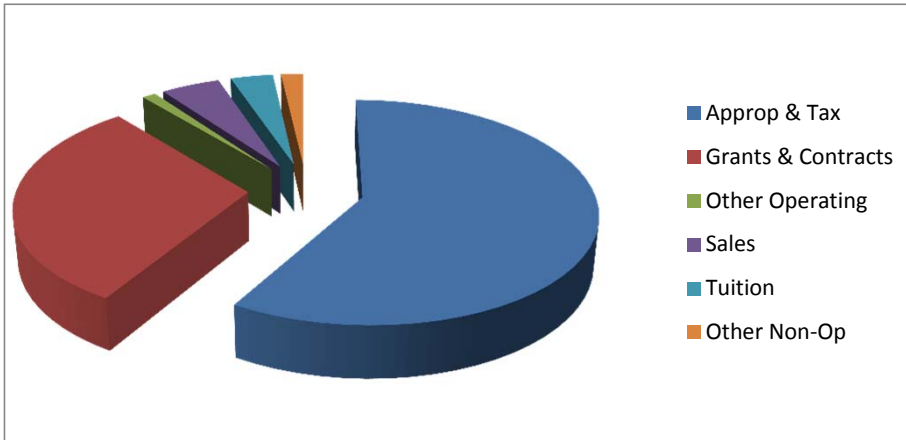
**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

**REPORTING ENTITY (Continued)**

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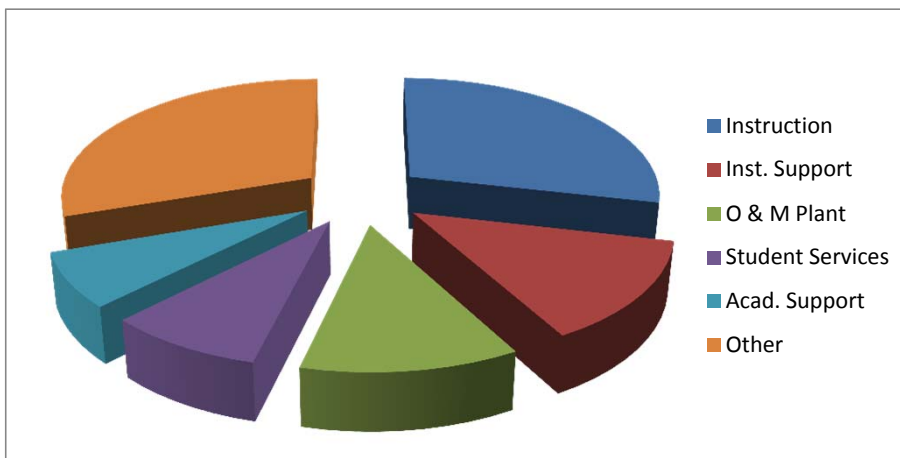
Although State of New Mexico appropriations are considered non-operating revenues, the College uses these funds to support key operations. The following chart displays revenues by source (some categories are combined).

Revenue By Source



The College elected to present expenses on the Statement of Revenue, Expenses and Changes in Net Position by major functions of the College. The chart below shows the distribution of operating expense by functional category with minor categories combined.

Expenses By Function



The College's 2013 Net Position showed a decrease of \$461,959.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

**REPORTING ENTITY (Continued)**

Total net position are classified by the College's ability to use these assets to meet operating needs. Net position are restricted to their use by sponsoring agencies, donors or other college entities are classified as "non-expendable" and "expendable". The restricted net assets are further classified in general terms as to the function for which they must be used. Unrestricted net position may be used to meet all operating needs of the College. The chart below shows the change in net position by category.

Prior Year Comparison of Changes in Net Position

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Change in Net Position	\$ (461,959)	\$ 8,445	\$ (470,404)
Net Investment in Capital Assets	19,872,153	19,824,419	47,734
Unrestricted	2,517,024	3,026,720	(509,696)

**An analysis of financial position** shows an adequate balance in unrestricted Net Position, realizing a decrease of \$509,696.

**Luna Community College  
Condensed Summary of Cash Flows  
For the Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Cash Flows Used By Operating Activities	\$ (9,564,876)	\$ (8,180,600)
Cash Flows Provided From Noncapital Financing Activities	9,542,000	10,729,565
Cash Flows Provided From Investment Activities	5,029	12,279
Cash Flows Used By Capital and Related Financing Activities	<u>(627,901)</u>	<u>(1,589,753)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(645,748)	971,491
Cash and Cash Equivalents, Beginning of Year	<u>3,312,368</u>	<u>2,340,877</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 2,666,620</u></u>	<u><u>\$ 3,312,368</u></u>

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

**REPORTING ENTITY (Continued)**

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Changes in Cash Flow are due primarily from a significant increase in Accounts Receivable.

**Budget and Results**

The Combined Revenue variance was \$4,332,223 consisting primarily of \$2,739,940 from PELL Grant which was budgeted to accommodate growth in eligibility which did not materialize. The Combined Expenditure variance of \$4,512,628 consisted mainly of the PELL Grant variance and equivalent variances on the revenue and expenditures for restricted funds adjusted to actual award levels as well as significant savings in unrestricted I&G.

**Capital Asset Activity**

Overall, the College's Capital Asset balance changed by a net increase of \$47,734 as result of \$610,468 in additions and \$580,167 in depreciation.

**Long Term Debt**

Luna Community College does not have any long-term debt.

**FACTORS IMPACTING FUTURE PERIODS & ECONOMIC OUTLOOK**

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The five-year Title V grant commencing October 2012 has already had a positive impact on the College's student's. The emphasis is on upgrading of Allied health and Trade and Technical Career Programs, including the attainment of specialized accreditations sure to boost employability of completers. The new state-of-the-art nursing simulation lab replicates a typical hospital environment making a significant difference for a rural program that is challenged to provide clinical experiences for required clinical hours. The lab will also allow EMT and CNA students to meet clinical requirements. The College is also seeking specialized accreditation of the school of Business through the Accreditation Council of Business School Programs and the Accrediting Board for Engineering Technology. The purposes to review and assure students and other stakeholders that both programs have met rigorous criteria indicating a high and acceptable level of educational quality. This should yield higher enrollments.

For more detail and explanations, the reader should refer to the notes and other required supplementary information contained in this document.

**Contact Information**

The reader is encouraged to contact the College with any questions or comments:

Luna Community College  
Finance and Administration  
366 Luna Drive  
Las Vegas, NM 87701  
[www.luna.edu](http://www.luna.edu)  
Phone: (505) 454-5328

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
STATEMENT OF NET POSITION  
June 30, 2013**

	Luna Community College	Component Unit Luna Community College Foundation
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,666,620	797,339
Student accounts receivable, net of allowance of \$652,744	55,912	-
Grants receivable	430,051	18,839
Inventories	260,765	-
<b>Total current assets</b>	<u>3,413,348</u>	<u>816,178</u>
Noncurrent Assets		
Capital assets, net	19,872,153	-
<b>Total assets</b>	<u>\$ 23,285,501</u>	<u>816,178</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 213,469	-
Accrued compensated absences	282,181	-
Unearned revenues	391,340	-
<b>Total current liabilities</b>	<u>886,990</u>	<u>-</u>
Noncurrent Liabilities		
Accrued compensated absences	9,334	-
<b>Total liabilities</b>	<u>896,324</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	19,872,153	-
Restricted		
Nonexpendable		
Scholarships	-	360,000
Expendable		
Scholarships	-	410,656
Unrestricted	2,517,024	45,522
<b>Total net position</b>	<u>22,389,177</u>	<u>816,178</u>
<b>Total net position and liabilities</b>	<u>\$ 23,285,501</u>	<u>816,178</u>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
Year Ended June 30, 2013**

	Luna Community College	Component Unit Luna Community College Foundation
Operating Revenues		
Tuition and fees	\$ 1,323,992	-
Tuition discounts and allowances	(781,991)	-
	<u>542,001</u>	
Federal grants and contracts	3,998,367	-
State and local grants and contracts	732,686	-
Private gifts and grants	67,373	-
Sales and services of auxiliary enterprises	752,500	-
Other	173,716	38,498
<b>Total operating revenues</b>	<u>6,266,643</u>	<u>38,498</u>
Operating Expenses		
Instruction and general		
Instruction	4,651,494	-
Academic support	1,184,802	-
Student services	1,403,056	-
Institutional support	2,181,699	21,727
Operation and maintenance of plant	1,925,584	-
Total instruction and general	<u>11,346,635</u>	<u>21,727</u>
Public service	474,977	-
Student aid grants and stipends	3,445,819	13,621
Tuition discounts and allowances	(781,991)	-
Auxiliary enterprises	736,257	-
Agency funds	63,670	-
Athletics	394,746	-
Student activities	15,351	-
Depreciation	580,167	-
<b>Total operating expenses</b>	<u>16,275,631</u>	<u>35,348</u>
Operating (loss) gain	<u>(10,008,988)</u>	<u>3,150</u>
Nonoperating revenues		
State appropriations	7,549,392	-
Local property tax levy	1,713,238	-
Interest and investment income	5,029	27,360
Other nonoperating revenues	279,370	-
<b>Net nonoperating revenues</b>	<u>9,547,029</u>	<u>27,360</u>
(Decrease) increase in net position	(461,959)	30,510
Net assets, beginning of year	<u>22,851,136</u>	<u>785,668</u>
<b>Net assets, end of year</b>	<u>\$ 22,389,177</u>	<u>816,178</u>

See Notes to Financial Statements.



**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2013**

	Luna Community College
Cash Flows From Operating Activities	
Tuition and fees	\$ 591,653
Grants and contracts	4,682,099
Sales and services of educational activities	752,500
Other operating receipts	173,716
Payments to employees and suppliers	(15,764,844)
<b>Net cash used by operating activities</b>	<u>(9,564,876)</u>
Cash Flows From Noncapital Financing Activities	
State appropriations	7,549,392
Local property tax levy	1,713,238
Other	279,370
<b>Net cash provided by noncapital financing activities</b>	<u>9,542,000</u>
Cash Flows From Capital and Related Financing Activities	
Cash paid for capital assets	<u>(627,901)</u>
Cash Flows From Investing Activities	
Interest received on investments	<u>5,029</u>
<b>Net decrease in cash and cash equivalents</b>	(645,748)
Cash and cash equivalents, beginning of year	<u>3,312,368</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 2,666,620</u></u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (10,008,988)
Adjustments to reconcile operating (loss) to net cash used by operating activities	
Depreciation	580,167
Changes in assets and liabilities	
Receivables	(45,999)
Inventories	(703)
Accounts payable	(10,022)
Deferred revenues	(70,894)
Accrued compensated absences	(8,437)
<b>Net cash used by operating activities</b>	<u><u>\$ (9,564,876)</u></u>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization.* Luna Vocational Technical Institute was established with provision of 1967 Laws, Chapter 177 (Section 21-17-1 through 21-17-17, New Mexico Area Vocational School Act of 1978). In December of 2000, the College changed its name to Luna Community College to reflect the change from a vocational school to a community college.

The Luna Community College (the College) was created to provide vocational and technical education for the residents of its service area and the State of New Mexico to prepare them for the world of work. It is largely a post-secondary institution with some provisions to include high school students upon deliberate (concurrent enrollment) agreements with the secondary schools in the area.

The College maintains the general goal of providing educational and training programs designed to prepare its students in the area of marketable skills, for careers in technical and vocational fields, as well as to teach them how to best utilize skills in earning a living while also participating and contributing as productive citizens.

Therefore, the College is dedicated to: (1) the pursuit of excellence in its educational programs, (2) the simulation of actual occupational environments in its training systems, (3) the simulation of student interest and aptitude, (4) the administration of sound guidance and counseling service, (5) the provisions of administrative management and leadership in all its services and responsibilities, and (6) the facilitation of occupational placement for its students.

Instruction at the College is offered in six areas:

1. Adult Basic Education
2. Business Education Studies
3. Health Occupations
4. Technologies
5. Trade and Industrial Occupations
6. Associate of Applied Sciences, Associates of Arts, Associates of Science Degrees

The College is governed by an elected Board of Trustees, made up of seven representatives serving at large from the seven participating school districts served by the College. The seven school districts, within five counties, are Las Vegas City Schools, West Las Vegas, Maxwell, Mora, Santa Rosa, Springer and Wagon Mound.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The College's president is the chief executive officer of the College responsible for the implementation and maintenance of board policies and administration to carry out the goals of the College within statutory and constitutional provisions. The President serves the College under the direction of the Board and reports directly to the Board.

The College is primarily funded by state appropriations with additional funding coming from federal and local sources. Each school district imposes a three-mil ad valorem tax to support the College. Additional resources include sales and service revenues, interest income, private gifts, grants, and contracts.

On July 1, 1988, Luna Community College became an institution of higher education under the jurisdiction of the Higher Education Department. Prior to this, the College had been under the jurisdiction of the State Department of Education.

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. This was followed in December 1999 by GASB Statement No. 35, Basic Financial Statements and management's Discussion and Analysis for Public Colleges and Universities. The financial statement presentation required by GASB No. 34 and 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net position, revenues, expenses, changes in net position, cash flows, and replaces the fund-group perspective previously required.

This statement provides for a significant change in financial reporting and is scheduled for a phased implementation. It has since been updated by GASB Statements 37 and 38. The Administration implemented all of these statements effective July 1, 2004.

**Luna Community College Foundation, Inc. (Foundation)**

The Foundation was organized as a not-for-profit New Mexico corporation under 501(c)(3) of the Internal Revenue Code. The Foundation receives support from contributions and earnings on investments. The Foundation does not issue separate financial statements.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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.

*Reporting Entity.* The Governmental Accounting Standards Board has issued statement No. 39 and No. 61. These statements established standards for identifying a component unit through evaluation of the reporting entity and significance of certain related party transactions, defined as potential component units. In evaluating how to define the College for financial reporting purposes, management has evaluated the College's potential component units. The basic, but not the only, criterion for including a potential component unit as part of the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability of responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of the criterion involves considering whether the activity benefits the College.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the College is able to exercise oversight responsibilities. Based on the application of these criteria, the following is a brief review of each potential component unit addressed in defining the College's reporting entity.

In the financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the College. The decision to include a potential component unit in the College's reporting entity is based upon several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Luna Community College Foundation, Inc. is a discretely presented component unit and is included in these financial statements.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Estimates.* 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Cash and Cash Equivalents.* For purposes of the statement of cash flows, cash and cash equivalents include demand, savings, and money market accounts with an original maturity of 3 months or less.

*Inventories.* Inventories are recorded at first-in, first-out (FIFO) and are valued at the lower of cost or market.

*Income Taxes.* The College, as an instrumentality of the State of New Mexico, is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Contributions to the College are deductible by donors as provided under Section 170 of the Internal Revenue Code and consistent with the provisions under Section 501 (c)(3) of the Internal Revenue Code.

*Student Accounts Receivable.* The College records student tuition and fees and student accounts receivable at rates established at the time a student registers for classes. In addition, bookstore, daycare, and cafeteria charges are recorded when incurred. Provision for uncollectible student accounts is recorded to maintain an adequate allowance for anticipated losses. Grants receivables consist of unreimbursed expenditures on federal, state, and private grants.

*Unearned Revenue.* Unearned revenue includes amounts received from grant and contract sponsors that have not been earned.

*Capital Assets.* Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. For equipment, 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. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The College does not capitalize historical treasures, works of art or library books.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 30 years for buildings, infrastructure and land improvements, and 5 to 12 years for equipment (including software).

*Compensated Absences.* The College accounts for the accumulated vacation leave on the accrual basis in accordance with GASB 16. Accrued vacation up to 240 hours is recorded at 100% of the employee hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA).

*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 any 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 invested in capital assets, net of related debt. The College has no debt.

*Restricted Net Position - Nonexpendable.* Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources 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.

*Restricted Net Position - Expendable.* Expendable restricted net position are resources that the College is legally or contractually obligated to spend in accordance with imposed restrictions by third parties.

*Unrestricted Net Position.* Unrestricted net position represent resources derived from student tuition and fees, state appropriations, 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 students, faculty and staff.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Classification of Revenues.* The College has classified its revenues either as operating or nonoperating revenues 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) most federal, state, and local grants and contracts and federal appropriations, and (3) interest on institutional student loans.

*Nonoperating Revenues.* Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB No. 9 Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting and GASB No. 34, such as state appropriations.

*Significant Concentration of Credit Risk.* The College is dependent on state funding, local property tax levy, and tuition payments from students for its operating budget. In addition, the College receives the majority of its restricted revenues from federal sources. Its student population is derived primarily from Northeastern New Mexico Communities.

*Special Appropriation.* The College receives special appropriations during the year. When an expense is incurred that can be paid using either unrestricted or special appropriation resources, the College's policy is to first apply the expense toward the special appropriation. The special appropriation funds are non-reverting, and the College received permission to carryover the funds for another year. The College received \$81,067 for its Nursing program of which \$68,593 was spent during the year and \$12,474 is encumbered for fiscal year 2014. The special appropriation expires on June 30, 2014.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 2. CASH AND CASH EQUIVALENTS**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to them. The College does not have its own deposit policy for credit risk, but follows New Mexico Statute Section 6-10-17, requiring collateral equal to at least one-half of the amount of uninsured public monies on deposit. As of June 30, 2013, none of the College's bank balance of \$3,060,091 was subject to custodial credit risk because it was neither uninsured nor uncollateralized.

The sources of the component unit cash do not meet the definition of public monies. Therefore, the component units are not required to follow State Statutes and no collateralization is required.

**NOTE 3. CAPITAL ASSETS, NET**

Following are the changes in capital assets for the year ended June 30, 2013:

	Balance June 30, 2012	Additions/ Reclassifications	Transfers	Retirement	Balance June 30, 2013
<b>Capital assets not being depreciated</b>					
Land	\$ 2,322,078	-	-	-	<b>2,322,078</b>
Construction in progress	7,768,555	17,434	(7,616,501)	-	<b>169,488</b>
	<u>\$ 10,090,633</u>	<u>17,434</u>	<u>(7,616,501)</u>	<u>-</u>	<u><b>2,491,566</b></u>
<b>Other capital assets</b>					
Buildings	\$ 22,912,497	-	7,616,501	-	<b>30,528,998</b>
Building improvements	4,754,696	180,613	-	-	<b>4,935,309</b>
Infrastructure	737,625	-	-	-	<b>737,625</b>
Automobiles	428,482	298,201	-	5,700	<b>720,983</b>
Equipment and furniture	4,905,568	131,654	-	676,406	<b>4,360,816</b>
	<u>33,738,868</u>	<u>610,468</u>	<u>-</u>	<u>682,106</u>	<u><b>41,283,731</b></u>
<b>Less accumulated depreciation for</b>					
Buildings	16,443,438	183,623	-	-	<b>16,627,061</b>
Building improvements	2,654,712	213,535	-	-	<b>2,868,247</b>
Automobiles	389,212	54,719	-	5,700	<b>438,231</b>
Equipment and furniture	4,517,721	128,290	-	676,406	<b>3,969,605</b>
	<u>24,005,083</u>	<u>580,167</u>	<u>7,616,501</u>	<u>682,106</u>	<u><b>23,903,144</b></u>
<b>Other capital assets, net</b>	<u>\$ 9,733,785</u>	<u>30,301</u>	<u>7,616,501</u>	<u>-</u>	<u><b>17,380,587</b></u>



**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 3. CAPITAL ASSETS, NET (CONTINUED)**

	Balance June 30, 2012	Additions/ Reclassifications	Transfers	Retirement	<b>Balance June 30, 2013</b>
<b>Capital assets summary</b>					
Capital assets not being depreciated	\$ 10,090,633	17,434	(7,616,501)	-	<b>2,491,566</b>
Other capital assets at cost	<u>33,738,868</u>	<u>610,468</u>	<u>7,616,501</u>	<u>682,106</u>	<b><u>41,283,731</u></b>
	43,829,501	627,902	-	682,106	<b>43,775,297</b>
Less accumulated depreciation	<u>24,005,083</u>	<u>580,167</u>	-	<u>682,106</u>	<b><u>23,903,144</u></b>
<b>Capital assets, net</b>	<b><u>\$ 19,824,418</u></b>	<b><u>47,735</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>19,872,153</u></b>

Depreciation expense for the year ended June 30, 2013 was \$580,167.

**NOTE 4. LONG-TERM LIABILITIES**

Long-term liability activity for the College for the year ended June 30, 2013, is as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Accrued compensated absences	<u>\$ 299,952</u>	<u>223,646</u>	<u>232,083</u>	<u>291,515</u>	<u>282,181</u>

**NOTE 5. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD**

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

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 5. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

*Funding Policy.*

**Member Contributions**

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 9.40% of their gross salary in fiscal year 2013; 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

**Employer Contributions**

In fiscal year 2013, the College was required to contribute 12.4% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than \$20,000.

In the future, the College will contribute the following percentages of the gross covered salary of employees: 13.15% of gross covered salary in fiscal year 2014; and 13.9% of gross covered salary in fiscal year 2015.

The contribution requirements of plan members and the College are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The College's contributions to ERB for the fiscal years ending June 30, 2013, 2012, and 2011, were \$1,183,998, \$1,205,018, and \$1,205,512, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 6. POST EMPLOYMENT BENEFITS**

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

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 6. POST EMPLOYMENT BENEFITS (CONTINUED)**

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

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

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

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

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 6. POST EMPLOYMENT BENEFITS (CONTINUED)**

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute 0.833% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The College's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$175,310, \$163,643 and \$147,152, respectively, which equal the required contributions for each year.

**NOTE 7. SURETY BOND/INSURANCE**

The College is covered by the New Mexico Public Schools Insurance Authority (NMPSIA) as required by statute. Additional insurance, beyond that required by statute, has also been acquired to guard against risks.

There were no commitments or obligations outstanding at June 30, 2013.

The College is liable or contingently liable in connection with certain claims, which arise in the normal courses 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.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 7. SURETY BOND/INSURANCE (CONTINUED)**

The College receives governmental grants, which may be refundable in the event that all terms of the grants are not complied with. In the opinion of management, no material refunds will occur.

**NOTE 8. PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each year on July 1 on the taxable valuation of property located in the College as of the preceding January 1. The taxable valuations for the various classes of property are determined by the San Miguel, Guadalupe, Mora and Colfax County Assessors. The rate of taxes for operating purposes for all taxing jurisdictions is limited by the State Constitution to 5 mils (\$5 per \$1,000 assessed valuation). Taxes are payable in two equal installments due on November 10 and April 10 and become delinquent after 30 days. The College cannot reasonably estimate the amount of property taxes receivable due to lack of information. Property taxes are not accrued for in the accompanying financial statements beyond what was received with the first sixty days of the fiscal year. However, the College estimates the net receivable amount to be immaterial to the financial statements.

**NOTE 9. FOUNDATION CASH AND CASH EQUIVALENTS**

The following table provides information concerning the custodial credit risk assumed by the Foundation at year-end. Actual bank balances are shown because they reflect the current relationship between the deposits and corresponding collateral. The source of the Foundation's cash does not meet the definition of public monies. Therefore, the Foundation does not require collateralization.

	Federally Insured	Insured and Collateralized	Uninsured and Un-Collateralized	Total Depository Balances
Demand deposits				
Community First Bank	\$ 158,008	-	-	158,008
Certificates of deposit				
Community First Bank	223,131	-	-	223,131
Southwest Capital Bank	250,000	-	166,200	416,200
	<u>\$ 631,139</u>	<u>-</u>	<u>166,200</u>	<u>797,339</u>

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 10. FOUNDATION NONEXPENDABLE FUNDS**

The College has elected the endowment option within the Title V grant in accordance with EDGAR Part 628 APPLICABLE ENDOWMENT CHALLENGE GRANT PROGRAM REGULATIONS FOR TITLE III, PART AND TITLE V, HSI. The Title V grant is matched by the Foundation during fiscal year. At June 30, 2013 the Foundation has a balance of \$360,000 in the Title V endowment.

The provisions of the grant require that the endowment corpus along with at least 50% of the income be invested for 20 years after which time the entire amount may be expended for the restricted purpose. Up to 50% of that income can be expended annually in accordance with the above noted provisions.

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF CASH AND CASH EQUIVALENTS  
Year Ended June 30, 2013**

**College:**

Account Name	Type of Account	Balance Per Bank Statement	Reconciled Balance Per Books
<b>Wells Fargo</b>			
Santa Rosa Account	Checking	\$ 11,954	\$ 11,954
Springer Account	Checking	11,059	11,075
	<b>Total</b>	<u>23,013</u>	<u>23,029</u>
<b>The Bank of Las Vegas</b>			
General Disbursement	Checking	2,688,266	2,434,071
Payroll	Checking	303,828	157,403
Student Activity	Checking	44,984	52,117
	<b>Total</b>	<u>3,037,078</u>	<u>2,643,591</u>
	<b>Total</b>	<u>\$ 3,060,091</u>	<u>\$ 2,666,620</u>

**Foundation:**

<b>Community 1st Bank</b>			
Checking	Checking	\$ 158,007	\$ 158,007
Short-Term Investments	Certificate of Deposit	223,132	223,132
	<b>Total</b>	<u>381,139</u>	<u>381,139</u>
<b>Southwest Capital Bank</b>			
Short-Term Investments	Certificate of Deposit	416,200	416,200
	<b>Total</b>	<u>\$ 797,339</u>	<u>\$ 797,339</u>



**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF PLEDGED COLLATERAL  
June 30, 2013**

	Wells Fargo	The Bank of Las Vegas
Total amount on deposit at bank in checking accounts	\$ 23,013	3,037,078
Total amount on deposit at bank in certificates of deposit	-	-
FDIC Insurance	(23,013)	(250,000)
	<u>                    </u>	<u>                    </u>
Total uninsured public funds	<u>\$ -</u>	<u>2,787,078</u>
50% collateral requirement (Section 6-10-17 NMSA 1978)	<u>\$ -</u>	<u>1,393,539</u>

Pledged Collateral:

Security	CUSIP No.	Location	Maturity	
FHLMC	3134G3K01	Southwest Capital Bank	January 30, 2019	\$ (498,225)
FHLMC	3128MDAT0	Southwest Capital Bank	October 1, 2026	(381,932)
GNMA	36255F6Q6	Southwest Capital Bank	August 20, 2041	<u>(774,101)</u>
Amount over collateralized				<u>\$ (260,719)</u>

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE**

Schedule of Memorandums of Understanding  
For The Year Ended June 30, 2013

<u>Participants</u>	<u>Administering Agency Responsible Party</u>	<u>Description</u>	<u>Begin Date</u>	<u>End Date</u>	<u>Total Amount</u>	<u>LCC Amount</u>	<u>Amount Expended as of 06/30/2013</u>	<u>Audit Party</u>	<u>Fiscal Agent</u>	<u>Reporting Agency</u>
LCC / AVRH	LCC	Clinical Instruction	8.1.10	8.30.12	NA	NA	NA	LCC	LCC	Both
LCC / El Centro Family Health	LCC	Clinical Instruction	8.1.10	8.30.12	NA	NA	NA	LCC	LCC	Both
LCC / Esperanza home Health Hospice	LCC	Clinical Instruction	8.1.10	8.30.12	NA	NA	NA	LCC	LCC	Both
LCC / Guadalupe County Hospital	LCC	Clinical Instruction	8.1.10	8.30.12	NA	NA	NA	LCC	LCC	Both
LCC / La Familia Medical Center	LCC	Clinical Instruction	8.1.10	8.30.12	NA	NA	NA	LCC	LCC	Both
LCC / Las Vegas Children and Youth	LCC	Clinical Instruction	8.1.10	8.30.12	NA	NA	NA	LCC	LCC	Both
LCC / Las Vegas City Schools	LCC	Clinical Instruction	8.1.10	8.30.12	NA	NA	NA	LCC	LCC	Both
LCC / Mora Community Health Services	LCC	Clinical Instruction	8.1.10	8.30.12	NA	NA	NA	LCC	LCC	Both
LCC / San Miguel County Detention	LCC	Clinical Instruction	8.1.10	8.30.12	NA	NA	NA	LCC	LCC	Both
LCC / Taos Holy Cross Hospital	LCC	Clinical Instruction	8.1.10	8.30.12	NA	NA	NA	LCC	LCC	Both
LCC / Victory Home Health	LCC	Clinical Instruction	8.1.10	8.30.12	NA	NA	NA	LCC	LCC	Both
LCC / West Las Vegas City Schools	LCC	Clinical Instruction	8.1.10	8.30.12	NA	NA	NA	LCC	LCC	Both
LCC / Collins Dental	LCC	Clinical Instruction	1.1.11	7.28.13	NA	NA	NA	LCC	LCC	Both
LCC / Divine Dental	LCC	Clinical Instruction	1.1.11	7.28.13	NA	NA	NA	LCC	LCC	Both
LCC / El Centro Dental Clinic	LCC	Clinical Instruction	1.1.11	7.28.13	NA	NA	NA	LCC	LCC	Both
LCC / Mora Valley Dental Health Cntr	LCC	Clinical Instruction	1.1.11	7.28.13	NA	NA	NA	LCC	LCC	Both
LCC / Dr. Urquhart DDS	LCC	Clinical Instruction	4.25.11	6.1.13	NA	NA	NA	LCC	LCC	Both
LCC / West Las Vegas Family Partnership	LCC	Dual Credit	5.4.11	Termination	NA	NA	NA	LCC	LCC	Both
LCC / Dr. Dennis Aragon, DDS	LCC	Clinical Instruction	6.1.11	7.28.13	NA	NA	NA	LCC	LCC	Both
LCC / M. Thomas Ashbrook, DDS	LCC	Clinical Instruction	6.1.11	7.28.12	NA	NA	NA	LCC	LCC	Both
LCC / Bonita Medical Center	LCC	Clinical Instruction	6.1.11	7.28.12	NA	NA	NA	LCC	LCC	Both
LCC / Dr. Edward Ebell	LCC	Clinical Instruction	6.1.11	7.28.13	NA	NA	NA	LCC	LCC	Both
LCC / Dr. Philip Edgerton, DMD	LCC	Clinical Instruction	6.1.11	7.28.12	NA	NA	NA	LCC	LCC	Both
LCC / Familia Dental	LCC	Clinical Instruction	6.1.11	7.28.13	NA	NA	NA	LCC	LCC	Both
LCC / Dr. R. Garcia	LCC	Clinical Instruction	6.1.11	7.28.13	NA	NA	NA	LCC	LCC	Both
LCC / Dr. Jeffery Melton, DDS, MS	LCC	Clinical Instruction	6.1.11	7.28.13	NA	NA	NA	LCC	LCC	Both
LCC / Dr. Patricia Peckk, DDS	LCC	Clinical Instruction	6.1.11	7.28.12	NA	NA	NA	LCC	LCC	Both
LCC / Just for Grins, Dr. Jacob Prishkulnik	LCC	Clinical Instruction	6.1.11	7.28.13	NA	NA	NA	LCC	LCC	Both
LCC / Dr. Daniel Sanchez, DDS	LCC	Clinical Instruction	6.1.11	7.28.12	NA	NA	NA	LCC	LCC	Both
LCC / Dr. J. Urig, Bonita Medical Cntr	LCC	Clinical Instruction	6.1.11	7.28.12	NA	NA	NA	LCC	LCC	Both
LCC / NM BHI	LCC	Clinical Instruction	6.20.11	6.30.13	NA	NA	NA	LCC	LCC	Both
LCC / Miners Colfax Medical Center	LCC	Clinical Instruction	8.1.11	8.30.13	NA	NA	NA	LCC	LCC	Both
LCC / United World College	LCC	Clinical Instruction	8.1.11	8.30.13	NA	NA	NA	LCC	LCC	Both
LCC / NM Educational Opportunity Cntr	LCC	Clinical Instruction	9.1.11	8.31.16	NA	NA	NA	LCC	LCC	Both
LCC / Vida Encantada	LCC	Clinical Instruction	9.1.11	8.30.13	NA	NA	NA	LCC	LCC	Both
LCC / Santa Fe Community College	LCC	Education and Career Training	9.23.11	9.13.12	NA	NA	NA	LCC	LCC	Both
LCC / Pecos Independent School District	LCC	Dual Credit	9.27.11	Termination	NA	NA	NA	LCC	LCC	Both
LCC / NMHU	LCC	Cooperative Agreement	1.1.12	9.30.16	NA	NA	NA	LCC	LCC	Both
LCC / Guadalupe County Hospital	LCC	Clinical Instruction	1.27.12	8.30.14	NA	NA	NA	LCC	LCC	Both
LCC / AVRH	LCC	Clinical Instruction	2.1.12	1.31.15	NA	NA	NA	LCC	LCC	Both
LCC / Dr. Elizabeth Wilson	LCC	Clinical Instruction	3.1.12	7.30.13	NA	NA	NA	LCC	LCC	Both
LCC / L. Paul Balderamos, DDS	LCC	Clinical Instruction	3.8.12	1.1.14	NA	NA	NA	LCC	LCC	Both
LCC / NM Dept of Health	LCC	Clinical Instruction	3.29.12	6.30.13	NA	NA	NA	LCC	LCC	Both
LCC / City of Las Vegas / La Plaza Little League	LCC	Facility Use	4.1.12	3.30.15	NA	NA	NA	LCC	LCC	Both

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE**

Schedule of Memorandums of Understanding  
For The Year Ended June 30, 2013

<u>Participants</u>	<u>Administering Agency Responsible Party</u>	<u>Description</u>	<u>Begin Date</u>	<u>End Date</u>	<u>Total Amount</u>	<u>LCC Amount</u>	<u>Amount Expended as of 06/30/2013</u>	<u>Audit Party</u>	<u>Fiscal Agent</u>	<u>Reporting Agency</u>
LCC / Santa Fe Community College	LCC	Facility Use	4.12.12	5.31.13	NA	NA	NA	LCC	LCC	Both
LCC / Help New Mexico	LCC	Facility Use	4.24.12	4.24.13	NA	NA	NA	LCC	LCC	Both
LCC / Count of Mora	LCC	Clinical Instruction	4.27.12	6.30.13	NA	NA	NA	LCC	LCC	Both
LCC / Adventure Dental	LCC	Clinical Instruction	5.1.12	7.30.13	NA	NA	NA	LCC	LCC	Both
LCC / Albuquerque Modern Dentists	LCC	Clinical Instruction	5.1.12	7.30.13	NA	NA	NA	LCC	LCC	Both
LCC / Kristine Ali, DMD	LCC	Clinical Instruction	5.1.12	7.30.13	NA	NA	NA	LCC	LCC	Both
LCC / City of Las Vegas / La Plaza Little League	LCC	Facility Use	6.1.12	3.30.15	NA	NA	NA	LCC	LCC	Both
LCC / Regents of University of New Mexico	LCC	Clinical Instruction	7.1.12	6.30.13	NA	NA	NA	LCC	LCC	Both
LCC / Mora High School	LCC	Dual Credit	7.1.12	Termination	NA	NA	NA	LCC	LCC	Both
LCC / NM BHI	LCC	Clinical Instruction	7.1.12	6.30.13	NA	NA	NA	LCC	LCC	Both
LCC / NM Dept of Health	LCC	CDSMP Project Management	7.1.12	6.30.13	NA	NA	NA	LCC	LCC	Both
LCC / NM Dept of Health	LCC	CDSMP Project Management	7.1.12	6.30.13	NA	NA	NA	LCC	LCC	Both
LCC / San Miguel County Detention	LCC	Clinical Instruction	7.1.12	6.30.13	NA	NA	NA	LCC	LCC	Both
LC / San Miguel County Detention	LCC	Clinical Instruction	7.1.12	6.30.13	NA	NA	NA	LCC	LCC	Both
LCC / Casa Real Nursing Operation LLC	LCC	Clinical Instruction	8.1.12	8.30.15	NA	NA	NA	LCC	LCC	Both
LCC / Esperanza home Health Hospice	LCC	Clinical Instruction	8.1.12	8.30.15	NA	NA	NA	LCC	LCC	Both
LCC / Guadalupe County Hospital	LCC	Clinical Instruction	8.1.12	8.30.15	NA	NA	NA	LCC	LCC	Both
LCC / Las Vegas City Schools	LCC	Clinical Instruction	8.1.12	8.30.15	NA	NA	NA	LCC	LCC	Both
LCC / Mora Community Health Services	LCC	Clinical Instruction	8.1.12	8.30.15	NA	NA	NA	LCC	LCC	Both
LCC / Pecos Valley Medical Center	LCC	Clinical Instruction	8.1.12	8.30.15	NA	NA	NA	LCC	LCC	Both
LCC / Taos Holy Cross Hospital	LCC	Clinical Instruction	8.1.12	8.30.15	NA	NA	NA	LCC	LCC	Both
LCC / Victory Home Health	LCC	Clinical Instruction	8.1.12	8.30.15	NA	NA	NA	LCC	LCC	Both
LCC / Vida Encantada	LCC	Clinical Instruction	8.1.12	8.30.15	NA	NA	NA	LCC	LCC	Both
LCC / West Las Vegas Schools	LCC	Clinical Instruction	8.1.12	8.30.15	NA	NA	NA	LCC	LCC	Both
LCC / San Miguel County Detention	LCC	Clinical Instruction	8.19.12	8.30.15	NA	NA	NA	LCC	LCC	Both
LCC / Regents of University of New Mexico	LCC	CDSMP Project Management	9.1.12	8.31.13	NA	NA	NA	LCC	LCC	Both
LCC / NM Institute of Mining and Technology	LCC	Articulation Agreement	9.1.12	8.31.17	NA	NA	NA	LCC	LCC	Both
LCC / County of Mora	LCC	Clinical Instruction	9.17.12	6.30.13	NA	NA	NA	LCC	LCC	Both
LCC / County of Mora	LCC	Clinical Instruction	11.14.12	6.30.13	NA	NA	NA	LCC	LCC	Both
LCC / Bonita Medical Center	LCC	Clinical Instruction	12.11.12	7.31.14	NA	NA	NA	LCC	LCC	Both
LCC / Mora Valley Dental Health Cntr	LCC	Clinical Instruction	12.11.12	7.31.14	NA	NA	NA	LCC	LCC	Both
LCC / Dr. Robert Urquhart, DDS	LCC	Clinical Instruction	12.11.12	7.31.14	NA	NA	NA	LCC	LCC	Both
LCC / DeBaca Family Practice	LCC	Clinical Instruction	12.15.12	7.31.14	NA	NA	NA	LCC	LCC	Both

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2013**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Award/Subaward Number	Federal Expenditures
<b>United States Treasury</b>			
AmeriCorps State and National	94.006	N/A	\$ 4,481
<b>United States Small Business Administration</b>			
Passed through the New Mexico Small Business Development Center Small Business Development Centers	59.037	12-603001-Z-0032-24	21,689
<b>United States Department of Education</b>			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunities Grants	84.007	P007A112645 (12-13)	38,607
College Work Study	84.033	P033A112645 (12-13)	34,212
PELL Grant	84.063	P063P103271 (11-12)	22,365
PELL Grant	84.063	P063P113271 (12-13)	2,237,695
Direct Loans Subsidized	84.268	P268K113271 (11-12)	16,625
Direct Loans Subsidized	84.268	P268K123271 (12-13)	499,676
Direct Loans Un-Subsidized	84.268	P268K113271 (11-12)	17,397
Direct Loans Un-Subsidized	84.268	P268K123271 (12-13)	155,802
Total Student Financial Aid Cluster			3,022,379
Higher Education Institutional Aid - Title V	84.031S	P031S070001-11	158,988
Higher Education Institutional Aid - Title V	84.031S	P031S070001-12	398,583
			557,571
Passed through New Mexico Highlands University			
Higher Education Institutional Aid - Title V	84.031C	NMHU PO#P0121866	20,646
Higher Education Institutional Aid - Title V	84.031C	NMHU PO#P0131224	55,391
Total passed through New Mexico Highlands University			76,037
Total Higher Education Institutional Aid - Title V			633,608
Passed through the State of New Mexico Higher Education Department Doctorial Dissertation Research Aboard	84.022	689888 (12-13)	42,248
Passed through Western New Mexico University			
Career and Technical Education	84.048	PO0050890 WNMU (11-12)	2,930
Career and Technical Education	84.048	PO0050890 WNMU (12-13)	28,306
Total passed through the Western New Mexico University			31,236
Total Department of Education			3,729,471
<b>United States Department of Health and Human Services</b>			
Passed through the University of New Mexico			
AHEC-POSME	93.107	HRSA#U77HP03032-15	29,037
AHEC-POSME	93.107	HRSA#U77HP23074-01-00	43,941
Total passed through the University of New Mexico			72,978
Total United States Department of Health and Human Services			72,978

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2013**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Award/Subaward Number	Federal Expenditures
<b>United States Department of Labor</b>			
Youth Build	17.274	YB-23491-12-60-A-36	\$ 151,816
Passed through the Santa Fe Community College High Growth and Emerging Industry Sectors	17.275	12-631-9999-00036	<u>2,700</u>
Total United States Department of Labor			<u>154,516</u>
<b>National Science Foundation</b>			
Passed through the University of New Mexico Office of Cyber Infrastructure	47.080	063013-87P0	<u>11,200</u>
<b>Total Federal Expenditures</b>			<u><u>\$ 3,994,335</u></u>

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2013**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of Federal Awards (the schedule) includes the federal grant activity of the College under programs of the Federal Government for the year ended June 30, 2013. The information in this schedule is presented in accordance with OMB circular A-133, *Audits of states, local governments, and non-profit organizations*. 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**

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

**NOTE 3. STUDENT FINANCIAL ASSISTANCE**

The College administers the Federal Direct Loan Program (CDFA 84.268). During the fiscal year ended June 30, 2013, the College processed \$689,500 of new loans under the Federal Direct Loan Program. The amounts processed under the direct loan program are included on the Schedule of Expenditures of Federal Awards.

**NOTE 4. OTHER DISCLOSURES**

The College did not receive any non-cash assistance, there was no insurance in effect during the year and no federal loan guarantees are outstanding at year end.

**SINGLE AUDIT SECTION**

**REPORT OF INDEPENDENT AUDITORS 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***

The Board of Trustees  
Luna Community College  
and  
Mr. Hector H. Balderas, New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the the discretely presented component unit of Luna Community College (the "College") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated November 13, 2013.

**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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2009-03 and 2011-02 that we consider to be significant deficiencies.



The Board of Trustees  
Luna Community College  
and  
Mr. Hector H. Balderas, New Mexico State Auditor

### **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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-01.

### **College's Responses to the Findings**

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

### **Purpose of this Report**

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

*Mess Adams LLP*

Albuquerque, New Mexico  
November 13, 2013

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

The Board of Trustees  
Luna Community College  
and  
Mr. Hector H. Balderas, New Mexico State Auditor

**Report on Compliance for the Major Federal Program**

We have audited Luna Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the of College's major federal program for the year ended June 30, 2013. College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 the major federal program. However, our audit does not provide a legal determination of College's compliance.

The Board of Trustees  
Luna Community College  
and  
Mr. Hector H. Balderas, New Mexico State Auditor

***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 its major federal program for the year ended June 30, 2013.

**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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a 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 Board of Trustees  
Luna Community College  
and  
Mr. Hector H. Balderas, New Mexico State Auditor

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

*Mess Adams LLP*

Albuquerque, New Mexico  
November 13, 2013

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2013**

Finding 2009-03	Foundation Accounting Records	Repeated/Revised
Finding 2011-01	Segregation of Duties	Resolved
Finding 2011-02	Fixed Asset Inventory	Repeated/Revised
Finding 2011-04	Student Financial Aid – Enrollment Reporting	Resolved
Finding 2012-05	Student Financial Assistance – Borrower Data Transmission Reconciliations	Resolved

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013**

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**Section I - Summary of Auditor's Results**

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*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?             yes      X   no
- Significant deficiency(ies) identified?      X   yes           none reported

Noncompliance material to financial statements noted?             yes      X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?             yes      X   no
- Significant deficiency(ies) identified?           yes      X   none reported

Type of auditor's report issued on compliance of the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?             yes      X   no

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Various	Student Financial Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs:      \$      300,000  

Auditee qualified as low-risk auditee?        X   yes           no

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2013**

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**Section II - Financial Statement Findings**

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**2009-03 Foundation Accounting Processes (Significant Deficiency)**

CONDITION/CONTEXT

Our review of the Foundation's procedures indicated that there is a lack of segregation of duties in the receiving, depositing and recording of cash receipts.

CRITERIA

Segregation of duties is important when dealing with cash, this will reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or fraud in the normal course of the person's duties.

CAUSE

There are no formalized policies for cash receipts and depositing the receipts. The failure to segregate duties is a result of having only one employee of the foundation.

EFFECT

The lack of segregation of duties in cash receipts processes could result in loss of cash.

RECOMMENDATION

To enhance controls over cash receipts, we recommend that all mail be opened by someone other than the Foundation Director and that a list of receipts be prepared by the mail opener. All remittance advices, letters, or envelopes that accompany the receipts should then be given directly to the Foundation Director. The list prepared by the mail opener should be compared and agreed with the bank deposit subsequently made. Only if the mail is opened and a list of receipts is made by someone who does not handle or record cash is it possible to provide full control over cash receipts.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2013**

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**Section II - Financial Statement Findings (continued)**

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**2009-03 Foundation Accounting Processes (Significant Deficiency)  
(continued)**

MANAGEMENT RESPONSE

The Foundation has issued a change of address request to the USPS from the P.O. Box to 366 Luna Drive and the mail will be sent to the College mailroom instead of the P.O. Box. The Fiscal Office along with the Foundation Executive Director, will receive, open and date-stamp all incoming mail of the Foundation. All checks or revenue will be recorded in a log that will be initialed by the Fiscal Office and the Executive Director of the Foundation. The Fiscal Office will give any mail, checks or revenue along with the log to the Foundation and the Director will make the deposits. The log will be included in the deposit records of the Foundation. A copy of the log will also be filed at the Fiscal Office.



**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2013**

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**Section II - Financial Statement Findings (continued)**

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**2011-02 Capital Assets (Significant Deficiency)**

CONDITION/CONTEXT

During our review of repairs and maintenance and testing over the capital assets, we noted the following:

- (a) College purchased two buses at a cost of \$148,385 which had not been recorded as additions to its capital assets
- (b) No formal review/approval over the completed physical inventory
- (c) No formal written policy for the completion of the capital asset inventory

CRITERIA

Sound accounting practices state that, to ensure that amounts are properly reflected in the accounting system, appropriate reconciliations should be performed for sub ledgers. Additionally, organizations should have formal policies and procedures which should describe the approval and review process.

CAUSE

The College did not perform a thorough review of its capital expenditures at year end to determine the amount to be capitalized. Additionally, the capital asset policy had not been formalized by the end of the fiscal year 2013.

EFFECT

Capital assets were not properly depreciated and their year-end detail was not reviewed resulting in differences between actual capital assets and amounts posted to the general ledger.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2013**

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**Section II - Financial Statement Findings (continued)**

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**2011-02 Capital Assets (Significant Deficiency) )(continued)**

RECOMMENDATION

The College should review capital expenditures at year end to verify all assets have been captured. The College should also consider completing its physical inventory closer to year-end, along with reviews of its inventory observation and formal policies.

MANAGEMENT RESPONSE

- a) LCC Accounts Payable staff will ensure the fixed asset box is marked when making payment for purchases qualifying as fixed assets. LCC Purchasing staff will review the transaction detail for all purchases in the equipment codes (6600's) at fiscal year-end to verify all fixed assets have been captured by software management system and included in the additions report.
- b) The LCC staff conducting the physical inventory along with one other staff member will sign and date verifying that the inventory of assets has been completed.
- c) The procedure for capital asset inventory will be incorporated in the Finance and Administration Procedure Manual.

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2013**

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**Section II - Financial Statement Findings (continued)**

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**2013-01 Stale Dated Checks (Non-Compliance in Accordance with the New Mexico State Audit Rule)**

CONDITION

During cash testwork, we noted 62 checks were written over a year ago for a total of \$15,545 listed as outstanding checks on the June 30, 2013 bank reconciliation.

CRITERIA

Per Section 6-10-57, NMSA 1978, whenever any warrant issued by the state, county, municipality, school district or special district is unpaid for one year after it becomes payable, the fiscal officer shall cancel it.

CAUSE

The College is concerned the employee or vendor will request their payment amount even when it has been more than one year since the check was written.

EFFECT

The College has money that is recorded as a liability when it is no longer considered a liability after one year as the College's check states "VOID after one year."

RECOMMENDATION

The College should remove all stale dated checks from its bank reconciliation that are over a year old.

MANAGEMENT RESPONSE

During the monthly bank reconciliation process, the College will review the outstanding check list and identify and remove (cancel) stale dated checks. The College's checks are printed with the statement "VOID AFTER ONE YEAR".

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2013**

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**Section III - Federal Award Findings and Questioned Costs**

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None reported

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
EXIT CONFERENCE  
June 30, 2013**

The contents of this report were discussed in the exit conference held on November 11, 2013 with the following in attendance:

**Representing Luna Community College:**

Pete Campos	President
Donna Flores-Medina	Chief Financial Officer
Francina Martinez	Controller
Evelyn Montoya	Executive Office Manager, Finance and Administration
Carolyn Chavez	Human Resources Director
Michael Montoya	Director Student Financial Aid
Miguel Martinez	Purchasing Director
Frank Tenorio	Board of Trustees
Daniel Romero	Board of Trustees

**Representing Luna Community College Foundation:**

Sarah Flores	Foundation Executive Director
Chris Cavazos	Board of Trustees Chairman

**Representing Moss Adams LLP:**

Scott Eliason	Partner
Samantha Simm	Senior

The financial statements were prepared with the assistance of Moss Adams LLP from the books and records of Luna Community College.

**BUDGETARY COMPARISONS – BUDGETARY BASIS**

## **Report of Independent Auditors on the Schedule of Budgetary Comparisons – Budgetary Basis**

To the Board of Trustees  
Luna Community College  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

We have audited the accompanying schedule of budgetary comparisons – budgetary basis of Luna Community College, for the year ended June 30, 2013, and the related notes.

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

Management is responsible for the preparation and fair presentation of this schedule of budgetary comparisons – budgetary basis in accordance with the budgetary basis of accounting prescribed by the New Mexico Administrative Code as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule of budgetary comparisons – budgetary basis that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of budgetary comparisons – budgetary basis. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of budgetary comparisons – budgetary basis, 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 schedule of budgetary comparisons – budgetary basis 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 schedule of budgetary comparisons – budgetary basis.

To the Board of Trustees  
Luna Community College  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

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

***Opinion***

In our opinion, the schedule of budgetary comparisons – budgetary basis referred to above presents fairly, in all material respects, the budgetary comparison of Luna Community College for the year ended June 30, 2013, in accordance with the budgetary basis of accounting described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 to the schedule of budgetary comparisons – budgetary basis, which describes the basis of accounting. The schedule of budgetary comparisons – budgetary basis is prepared on the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Moss Adams LLP*

Albuquerque, New Mexico  
November 13, 2013



STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF BUDGETARY COMPARISONS - BUDGET BASIS  
COMBINED REVENUES AND EXPENDITURES BUDGET COMPARISONS -  
UNRESTRICTED AND RESTRICTED - ALL OPERATIONS  
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 1,299,604	\$ 3,026,717	\$ 3,026,717	\$ -
Revenues:				
State general fund appropriations	7,762,100	7,762,100	7,762,103	3
Federal revenue sources	5,657,270	6,756,035	3,994,336	(2,761,699)
Tuition and fees	1,390,579	1,282,595	1,323,991	41,396
Private gifts, grants and contracts	1,188,250	1,958,500	67,023	(1,891,477)
Other	3,516,602	3,583,387	3,384,540	(198,847)
Total revenues	19,514,801	21,342,617	16,531,993	(4,810,624)
Expenditures:				
Instruction	4,941,290	5,651,630	4,651,487	(1,000,143)
Academic support	953,595	1,552,174	1,184,803	(367,371)
Student services	1,370,999	1,465,330	1,403,055	(62,275)
Institutional support	2,364,490	2,387,243	2,181,699	(205,544)
Operation and maintenance of plant	2,037,856	2,079,565	1,907,806	(171,759)
Subtotal Instruction and general	11,668,230	13,135,942	11,328,850	(1,807,092)
Student social and cultural	20,645	20,645	15,352	(5,293)
Public service	479,443	558,880	474,978	(83,902)
Student aid	6,633,025	7,434,344	3,445,819	(3,988,525)
Auxiliary enterprises	670,205	906,055	736,258	(169,797)
Intercollegiate athletics	351,677	407,677	394,749	(12,928)
Capital outlay	200,000	217,437	17,438	(199,999)
Renewal and replacements	159,000	691,012	628,243	(62,769)
Total expenditures	20,182,225	23,371,992	17,041,687	(6,330,305)
Net Transfers to (from)	-	-	-	-
Change in fund balance (budgetary basis)	(667,424)	(2,029,375)	(509,694)	1,519,681
Ending fund balance	\$ 632,180	\$ 997,342	\$ 2,517,023	\$ 1,519,681

STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF BUDGETARY COMPARISONS - BUDGET BASIS  
UNRESTRICTED CURRENT FUNDS -  
SUMMARY OF INSTRUCTION AND GENERAL  
REVENUES AND EXPENDITURES BUDGET COMPARISONS  
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 1,096,084	\$ 2,221,714	\$ 2,221,714	\$ -
Revenues:				
Tuition and fees	1,369,934	1,261,950	1,305,004	43,054
Government appropriations - state	7,549,400	7,549,400	7,549,392	(8)
Government appropriations - local	1,562,706	1,562,706	1,713,238	150,532
Grants and contracts - federal	5,000	5,000	4,031	(969)
Grants and contracts - state	250,288	81,067	81,067	-
Gifts, grants and contracts - private	2,000	2,000	985	(1,015)
Other sources	27,200	25,800	49,928	24,128
Total revenues	10,766,528	10,487,923	10,703,645	215,722
Expenditures:				
Instruction	4,698,893	4,889,683	4,242,225	(647,458)
Academic support	667,544	697,344	627,232	(70,112)
Student services	1,370,999	1,389,606	1,353,834	(35,772)
Institutional support	2,364,490	2,387,243	2,181,699	(205,544)
Operation and maintenance of plant	2,037,856	2,079,565	1,907,806	(171,759)
Total expenditures	11,139,782	11,443,441	10,312,796	(1,130,645)
Net Transfers to (from)	341,762	522,762	478,400	(44,362)
Change in fund balance - budgetary basis	(715,016)	(1,478,280)	(87,551)	1,390,729
Ending fund balance	\$ 381,068	\$ 743,434	\$ 2,134,163	\$ 1,390,729

STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
SCHEDULE OF BUDGETARY COMPARISONS - BUDGET BASIS  
RESTRICTED CURRENT FUNDS -  
SUMMARY OF INSTRUCTION AND GENERAL  
REVENUES AND EXPENDITURES BUDGET COMPARISONS  
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Tuition and fees	\$ -	-	3,236	\$ 3,236
Grants and contracts - federal	407,858	1,513,833	872,809	(641,024)
Grants and contracts - state	120,590	172,319	140,010	(32,309)
Gifts, grants and contracts - private	-	-	-	-
Other sources		6,349		(6,349)
	<u>528,448</u>	<u>1,692,501</u>	<u>1,016,055</u>	<u>(676,446)</u>
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	<u>528,448</u>	<u>1,692,501</u>	<u>1,016,055</u>	<u>(676,446)</u>
Expenditures:				
Instruction	242,397	761,947	409,263	(352,684)
Academic support	286,051	854,830	557,571	(297,259)
Student services		75,724	49,221	(26,503)
Total expenditures	<u>528,448</u>	<u>1,692,501</u>	<u>1,016,055</u>	<u>(676,446)</u>
Net Transfers to (from)	-	-	-	-
Change in fund balance - budgetary basis	-	-	-	-
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LUNA COMMUNITY COLLEGE**  
**SCHEDULE OF BUDGETARY COMPARISONS – BUDGETARY BASIS (CONTINUED)**  
**RECONCILIATION OF BUDGETARY BASIS OF ACCOUNTING TO GAAP BASIS OF**  
**ACCOUNTING – UNRESTRICTED AND RESTRICTED – ALL OPERATIONS**  
**June 30, 2013**

	Revenues	Expenses
Budget basis (revenues) / expenditures	\$ (16,531,993)	17,041,687
Agency funds	(63,670)	63,670
Capital expenditures	-	(627,902)
Depreciation	-	580,167
Scholarship allowance	<u>781,991</u>	<u>(781,991)</u>
GAAP basis (revenue) / expense	<u>\$ (15,813,672)</u>	<u>16,275,631</u>

**STATE OF NEW MEXICO  
LUNA COMMUNITY COLLEGE  
NOTES TO SCHEDULE OF BUDGETARY COMPARISONS – BUDGETARY BASIS  
June 30, 2013**

*Basis of Budgetary Presentation.* The accompanying supplementary information; Combined Revenues and Expenditures Budget Comparisons - Unrestricted and Restricted – all operations, Unrestricted Current Funds – Summary of Instruction and General Revenues and Expenditures Budgets and Comparisons and Restricted Current Funds – Summary of Instruction and General Revenue and Expenditures Budget Comparisons, for the year ended June 30, 2013, are prepared on the basis of accounting prescribed by the State of New Mexico, Higher Education Department (HED). HED requires budgets to be on a basis consistent with the financial reporting model used by the College prior to implementation of GASB statements No. 34 and 35. Additions to capital assets is reported as expenditures on the budget basis, but not on the basis required by generally accepted accounting principles (GAAP). Depreciation expense and scholarship allowances are GAAP requirements not included in the budget basis submitted to the HED.

*Budget.* The College follows the requirements established by the Higher Education Department (HED) in formulating its budgets and in exercising the budgetary control. It is through the HED's policy that, when the appropriation has been made to the College, its Board of Trustees can, in general, adopt an operating budget within the limits of available income.

**Procedures for Approval of Operating Budgets:**

1. The institution will then submit an original typed copy that has been approved by the Board of Trustees to the HED's office by May 1 of the preceding fiscal year.
2. The HED meets in June and acts on approval of the budgets.
3. The budgets, as approved by the HED, are transmitted to the Budget Division of the Department of Finance and Administration for official approval prior to July 1.
4. During the year revisions to the budget are prepared and sent to HED for approval. A final budget revision is due on May 1 of the current fiscal year.

In accordance with House Bill 2, unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year and are generally available for appropriation by the College in subsequent years.

*Budgetary Control.* Total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary control are as follows: (1) unrestricted and restricted expenditures are considered separately; (2) total unrestricted expenditures in instruction and general; (3) total restricted expenditures in instruction and general. Budget revisions must be approved by the executive secretary of the HED and then by the Budget Division of the Department of Finance and Administration.