

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE

Financial Statements

June 30, 2015



AXIOM

*Certified Public Accountants
and Business Advisors LLC*

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
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JUNE 30, 2015**

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**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
OFFICIAL ROSTER
JUNE 30, 2015**

BOARD OF TRUSTEES

Name	Title
Daniel J. Romero	Chairman
Kenneth Medina	Vice Chairman
Ernie Chavez	Secretary
Michael Adams	Member
David Gutierrez	Member
Abelino Montoya Jr.	Member
Severiano Sisneros	Member

ADMINISTRATIVE OFFICIALS

Name	Title
Leroy Sanchez	President
Donna Flores - Medina	Vice President for Finance & Administration

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Luna Community College
and
Mr. Tim Keller, New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Luna Community College (the "College"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We have also audited the budget comparisons presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the College, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects, the budgetary comparisons for the years ended June 30, 2015 in conformity with the budgetary basis of accounting prescribed by the New Mexico Administrative Code, as more fully described in the budgetary schedules, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 15 to the financial statements, effective July 1, 2014 the College adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of the College's Proportionate Share of the Net Pension Liability, and Schedule of the College's Contributions on pages 7-13, 36, and 37, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements and budget comparisons. The accompanying *Schedule of Expenditures of Federal Awards as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and other schedules required by Section 2.2.2.NMAC* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Axiom CPAs and Business Advisors, LLC
Albuquerque, New Mexico
November 5, 2015

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

INTRODUCTION

The management of Luna Community College (College or LCC) herewith presents its financial statements and required supplementary information for the year ended June 30, 2015. 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 to 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, 2015**

REPORTING ENTITY

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.

Condensed Summary of Net Position	2015	2014
Assets		
Current assets	\$ 5,021,382	\$ 3,864,760
Non-current assets	866,076	-
Capital assets, net of accumulated depreciation	18,728,689	18,866,398
Total Assets	\$ 24,616,147	\$ 22,731,158
Liabilities		
Current liabilities	1,239,442	980,930
Noncurrent liabilities	13,549,433	-
Total Liabilities	\$ 14,788,875	\$ 980,930
Net Position		
Net investment in capital assets	18,728,689	18,866,398
GASB 68 Pension Fund	(12,670,754)	-
Unrestricted	3,769,337	2,883,830
Total Net Position	\$ 9,827,272	\$ 21,750,228

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 \$5,021,382.

Current liabilities are amounts due within one year of \$1,239,442.

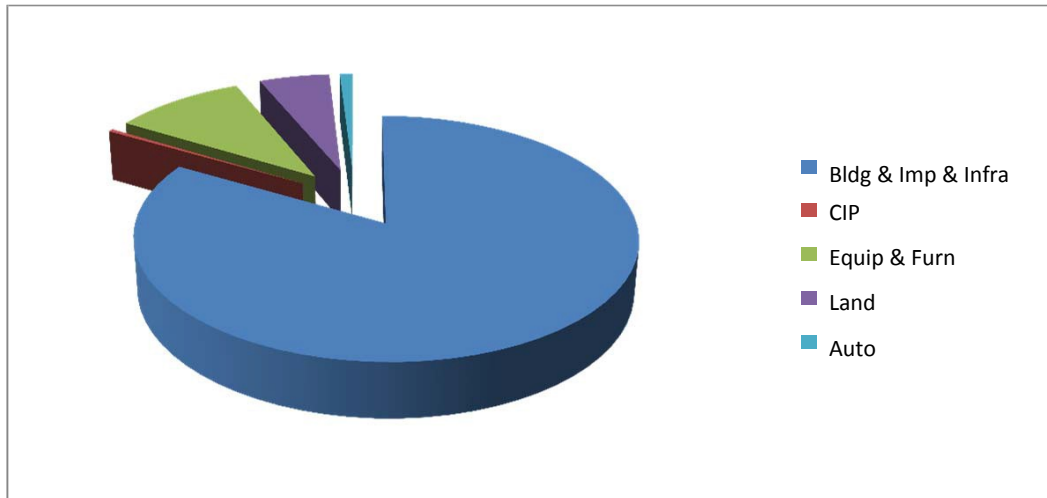
At June 30, 2015, the College's current ratio was nearly 4:1 comparing the amount of current assets, \$5,021,382 available to cover current liabilities, \$1,239,442. The largest category of non-current assets is capital assets, net of accumulated depreciation of \$18,728,689.

The Change in Net Position of 56% decrease was due to the implementation of GASB 68.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015 and 2014**

	2015	2014
Operating Revenues By Major Source		
Tuition	\$ 142,518	\$ 443,846
Contracts and grants	5,039,974	4,527,823
Sales and services of auxiliary enterprises	587,257	677,753
Other	162,299	214,966
Total	<u>\$ 5,932,048</u>	<u>\$ 5,864,388</u>
Operating Expenses By Major Function		
Instruction	4,350,985	4,602,369
Academic support	1,309,433	1,205,443
Student services	1,382,002	1,401,104
Institutional support	2,403,433	2,177,490
Operating and maintenance support	1,845,754	1,767,437
Public service	401,715	431,711
Student aid	1,759,501	2,304,849
Auxiliaries	589,179	788,926
Agency/Athletics/Student Activities	446,836	487,790
Depreciation	1,457,163	1,332,052
Total	<u>\$ 15,946,001</u>	<u>\$ 16,499,171</u>

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

REPORTING ENTITY (Continued)

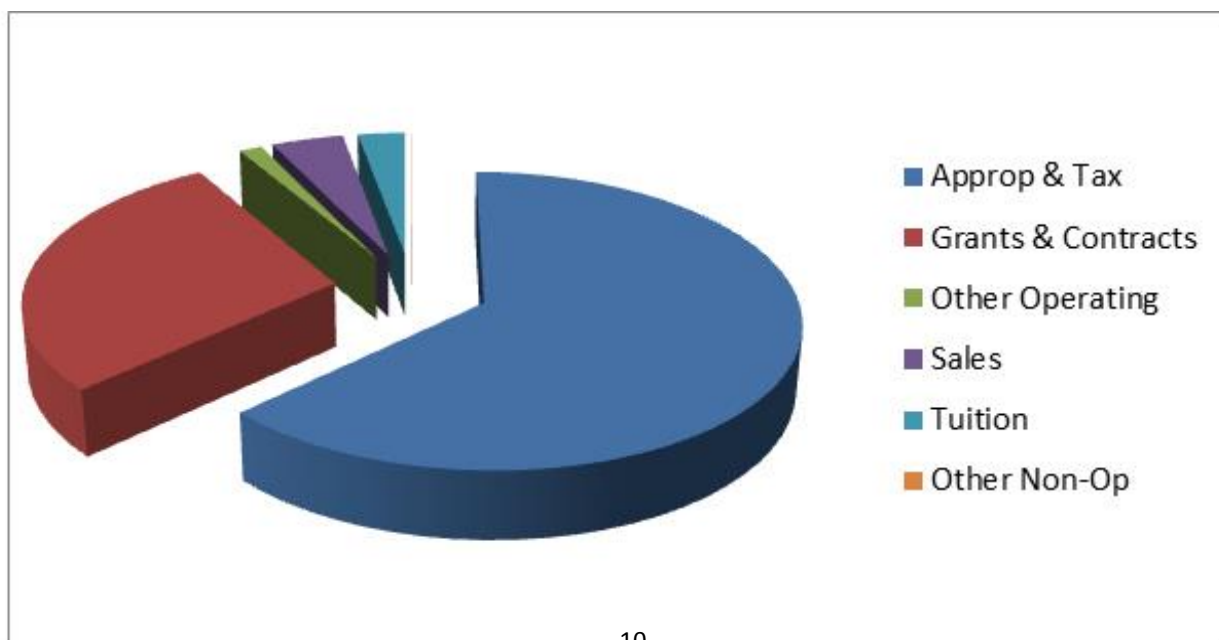
Nonoperating Revenue (Expense)	<u>2015</u>	<u>2014</u>
Appropriations	8,730,719	8,224,600
Other	2,041,037	1,771,229
Net nonoperating revenues	\$ 10,771,756	\$ 9,995,829
(Decrease) increase in net position	747,803	(638,954)
Prior Period Adjustment GASB 68	(12,670,754)	-
Net Position, Beginning of Year	<u>21,750,223</u>	<u>22,389,177</u>
Net Position, End of Year	\$ 9,827,272	\$ 21,750,223

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.

The 56% variance is due to the prior period adjustment to account for GASB 68.

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

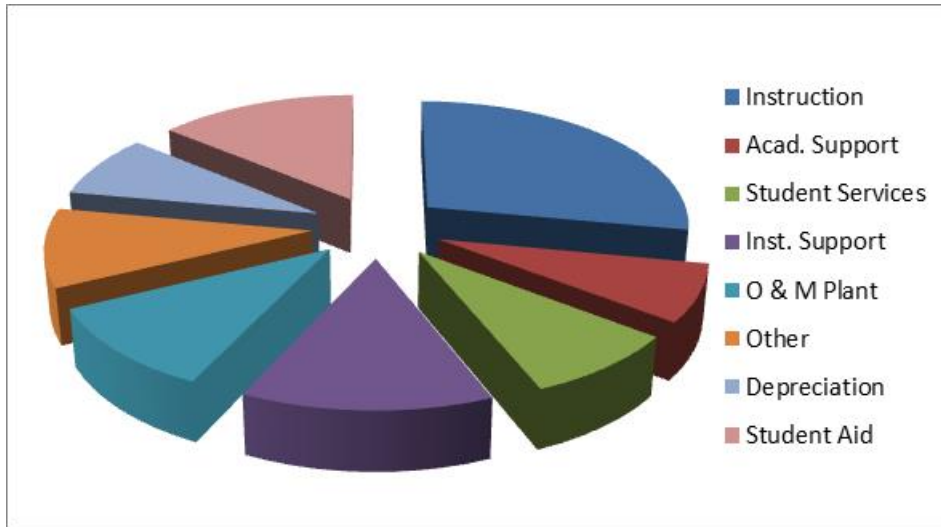


**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

REPORTING ENTITY (Continued)

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 2015 Net Position showed an increase of \$747,803 and a decrease for GASB 68 of \$12,670,754.

Total net position is classified by the College's ability to use these assets to meet operating needs. Net position is restricted to their use by sponsoring agencies, donors or other non-LCC entities are classified as "non- expendable" and "expendable". The restricted net position is 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	2015	2014	Change
Change in Net Position	\$ 747,803	\$ (638,962)	\$ 1,386,765
Prior Period Adjustment for GASB 68	(12,670,754)	-	(12,670,754)
Net Investment in Capital Assets	18,728,689	18,866,398	(137,709)
Unrestricted	3,769,337	2,883,830	885,507

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

REPORTING ENTITY (Continued)

An analysis of financial position shows an adequate balance in unrestricted Net Position, realizing an increase of \$885,507 over the prior year.

**Luna Community College
Condensed Summary of Cash Flows
For the Years Ended June 30, 2015 and 2014**

	2015	2014
Cash Flows Used By Operating Activities	\$ (9,025,167)	\$ (9,109,087)
Cash Flows Provided From Noncapital Financing Activities	10,766,342	9,990,647
Cash Flows Provided From Investment Activities	5,414	5,182
Cash Flows Used By Capital and Related Financing Activities	<u>(1,319,459)</u>	<u>(326,290)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	427,130	560,452
Cash and Cash Equivalents, Beginning of Year	<u>3,227,079</u>	<u>2,666,627</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,654,209</u>	<u>\$ 3,227,079</u>

Changes in Cash Flow were less than 1%.

Budget and Results

There were no instances of exceeding the final budget. The Combined Revenue variance was \$8,089,784 consisting primarily of \$3,507,711 for Financial Aid, which is budgeted high to avoid a budget finding and \$4,158,689 associated mainly with the allocated capital outlay funds for which the remainder of the expenditures are expected to take place in 1516. The Combined Expenditure variance of \$8,030,528 for the same factors related to revenues as all those revenues are on a reimbursement basis.

Capital Asset Activity

Overall, the College's Capital Asset balance changed by a net decrease of \$137,709 as result of \$1,319,459 in additions and \$1,457,164.

Long Term Debt

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

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

FACTORS IMPACTING FUTURE PERIODS & ECONOMIC OUTLOOK

The Allied Health Department is expanding. An Allied Health Applied Science Associate Degree will start in the Spring of 2016. The degree will focus on students completing two years of prerequisites for their desired allied health profession before they go on to a four year institution or professional school. In addition, an agreement has been made with the UNM EMS Academy to start offering an EMT-B program and refresher courses at Luna Community College. The refresher courses will start in the Fall of 2015 and the EMT-B program will start in the Spring of 2016. We are also looking ahead to starting a Community Health Worker Education program with the Area Health Education Center during the 2016-2017 fiscal year.

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
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Phone: (505) 454-5328

FINANCIAL SECTION

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2015

	Luna Community College	Component Unit Foundation
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	\$ 3,654,209	160,476
Student accounts receivable, net of allowance of \$761,099	10,356	-
Grants receivable	826,559	-
Other receivable	273,181	6,368
Inventories	257,077	-
Total current assets	<u>5,021,382</u>	<u>166,844</u>
Noncurrent Assets		
Investments	-	683,674
Capital assets, net	18,728,689	-
Total noncurrent assets	<u>18,728,689</u>	<u>683,674</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	859,769	-
Total deferred outflows of resources	<u>859,769</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 24,609,840</u>	<u>850,518</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 599,027	-
Accrued compensated absences	272,299	-
Unearned revenues	368,116	-
Total current liabilities	<u>1,239,442</u>	<u>-</u>
Noncurrent Liabilities		
Net pension liability	12,247,342	-
Total noncurrent liabilities	<u>12,247,342</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related	1,295,791	-
Total deferred inflows of resources	<u>1,295,791</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Aseets	18,728,689	-
Restricted		
Nonexpendable		
Scholarships	-	370,000
Expendable		
Scholarships	-	420,710
Unrestricted	(8,901,424)	59,808
Total net position	<u>9,827,265</u>	<u>850,518</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 24,609,840</u>	<u>850,518</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
JUNE 30, 2015**

	Luna Community College	Component Unit Foundation
Operating Revenues		
Tuition and fees	\$ 984,994	-
Tuition discounts and allowances	(842,476)	-
	<u>142,518</u>	<u>-</u>
Federal grants and contracts	3,366,649	-
State and local grants and contracts	1,583,874	-
Private gifts and grants	89,451	-
Sales and services of auxiliary enterprises	587,257	-
Other	162,299	23,113
Total operating revenues	<u>5,932,048</u>	<u>23,113</u>
Operating Expenses		
Instruction and general		
Instruction	4,350,988	-
Academic support	1,309,433	-
Student services	1,392,003	-
Institutional support	2,403,435	14,610
Operation and maintenance of plant	1,845,755	-
Total instruction and general	<u>11,301,614</u>	<u>14,610</u>
Public service	401,715	-
Student aid grants and stipends	2,601,977	8,645
Tuition discounts and allowances	(842,476)	-
Auxiliary enterprises	589,179	-
Agency funds	26,512	-
Athletics	401,397	-
Student activities	18,927	-
Depreciation	1,457,163	-
Total operating expenses	<u>15,956,008</u>	<u>23,255</u>
Operating (loss) gain	<u>(10,023,960)</u>	<u>(142)</u>
Nonoperating revenues		
State appropriations	8,730,719	-
Local property tax levy	2,035,623	-
Interest and investment income	5,414	14,795
Net nonoperating revenues	<u>10,771,756</u>	<u>14,795</u>
Increase in net position	747,796	14,653
Net position, beginning of year	<u>21,750,223</u>	<u>835,865</u>
Beginning net positions recognized by GASB 68	<u>(12,670,754)</u>	<u>-</u>
Net position, end of year	<u>\$ 9,827,265</u>	<u>850,518</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATEMENT OF CASH FLOW
JUNE 30, 2015**

	Luna Community College
Cash Flows From Operating Activities	
Tuition and fees	\$ 171,884
Grants and contracts	4,303,341
Sales and services of educational activities	587,257
Other operating receipts	162,299
Payments to employees and suppliers	(14,249,948)
Net cash used by operating activities	<u>(9,025,167)</u>
Cash Flows From Noncapital Financing Activities	
State appropriations	8,730,719
Local property tax levy	2,035,623
Net cash provided by noncapital financing activities	<u>10,766,342</u>
Cash Flows From Capital and Related Financing Activities	
Cash paid for capital assets	<u>(1,319,459)</u>
Cash Flows From Investing Activities	
Interest received on investments	<u>5,414</u>
Net increase in cash and cash equivalents	427,130
Cash and cash equivalents, beginning of year	<u>3,227,079</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,654,209</u></u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (10,023,960)
Adjustments to reconcile operating (loss) to net cash used by operating activities	
Depreciation	1,457,163
ERB Pension plan expense proportion	854,216
Changes in assets and liabilities	
Receivables	(708,736)
Inventories	(20,755)
FY15 Luna Community College ERB Contribution	(841,606)
Accounts payable	274,452
Unearned revenues	1,469
Accrued compensated absences	(17,410)
Net cash used by operating activities	<u><u>\$ (9,025,167)</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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LUNA COMMUNITY COLLEGE
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JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position have been determined on the same bases as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 \$291,000 for its Nursing program of which \$158,293 was spent during the year and \$132,707 is encumbered for fiscal year 2016.

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, 2015, none of the College's bank balance of \$4,018,336 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.

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NOTE 3 – CAPITAL ASSETS, NET

Following are the changes in capital assets for the year ended June 30, 2015:

	Balance June 30, 2014	Additions/ Reclassifications	Transfers	Balance June 30, 2015
Capital assets not being depreciated				
Land	\$ 2,322,078	-	-	2,322,078
Construction in progress	225,514	1,120,849	(884,625)	461,738
	<u>\$ 2,547,592</u>	<u>1,120,849</u>	<u>(884,625)</u>	<u>2,783,816</u>
Other capital assets				
Buildings	\$ 30,528,998	-	-	30,528,998
Building improvements	5,672,934	-	884,625	6,557,559
Automobiles	712,902	116,995	-	829,897
Equipment and furniture	4,468,916	81,615	-	4,550,531
	<u>\$ 41,383,750</u>	<u>270,264</u>	<u>884,625</u>	<u>42,466,985</u>
Less accumulated depreciation				
Buildings	\$ 17,404,574	777,513	-	18,182,087
Building Improvements	3,106,085	237,838	-	3,343,923
Automobiles	500,523	70,373	-	570,896
Equipment and furniture	4,053,767	371,439	-	4,425,206
	<u>25,064,949</u>	<u>1,332,050</u>	<u>-</u>	<u>26,522,112</u>
Other capital assets, net	<u>\$ 16,318,801</u>	<u>(1,258,553)</u>	<u>884,625</u>	<u>15,944,873</u>
Capital assets summary				
Capital assets not being depreciated	\$ 2,547,592	1,120,849	(884,625)	2,783,816
Other capital assets at cost	41,383,750	198,610	884,625	42,466,985
	<u>43,931,342</u>	<u>1,319,459</u>	<u>-</u>	<u>45,250,801</u>
Less accumulated depreciation	<u>25,064,949</u>	<u>1,457,163</u>	<u>-</u>	<u>26,522,112</u>
Capital assets, net	<u>\$ 18,866,393</u>	<u>(137,704)</u>	<u>-</u>	<u>18,728,689</u>

Depreciation expense for the year ended June 30, 2015 was \$1,457,163.

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LUNA COMMUNITY COLLEGE
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NOTE 4 – LONG-TERM LIABILITIES

Long-term liability activity for the College for the year ended June 30, 2015, is as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Accrued compensated absences	\$ 289,709	\$ 218,467	\$ 235,877	\$ 272,299	\$ 272,299

NOTE 5 – PENSION PLAN - EDUCATIONAL RETIREMENT BOARD

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

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

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

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

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

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

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JUNE 30, 2015**

NOTE 5 – PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

Contributions. The contribution requirements of defined benefit plan members and the College are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross salary. Contributions to the pension plan from the College were \$841,606 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles.

**STATE OF NEW MEXICO
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NOTE 5 – PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Therefore, the employer’s portion was established as of the measurement date June 30, 2014. At June 30, 2015, the College reported a liability of \$12,253,642 for its proportionate share of the net pension liability. The College’s proportion of the net pension liability is based on the employer contributing entity’s percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the College’s proportion was 0.21465 percent, which was an increase of 0.00039 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the College recognized pension expense of \$854,209. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	182,444
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,113,347
Changes in proportion and differences between the College's contributions and proportionate share of contributions	18,163	-
The College's contributions subsequent to the measurement date	<u>841,606</u>	<u>-</u>
Total	<u>\$ 859,769</u>	<u>1,295,791</u>

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NOTE 5 – PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

\$841,606 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	335,377
2017	335,377
2018	328,532
2019	278,335
2020	-
Thereafter	-

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. Specifically, the liabilities measured as of June 30, 2014 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55, and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six year experience study period ending June 30, 2012.

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NOTE 5 – PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

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NOTE 5 – PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2014 and 2013 for 30-year return assumptions are summarized in the following table:

Asset Class	2014 Long-Term Expected Real Rate of Return	2013 Long-Term Expected Real Rate of Return
Cash	1.50%	0.75%
Treasuries	2.00%	1.00%
IG Corp Credit	3.50%	3.00%
MBS	2.25%	2.50%
Core Bonds	2.53%	2.04%
TIPS	2.50%	1.50%
High Yield Bonds	4.50%	5.00%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	0.75%
Global Bonds (Hedged)	1.38%	0.93%
EMD External	5.00%	4.00%
EMD Local Currency	5.75%	5.00%
Large Cap Equities	6.25%	6.75%
Small/Mid Cap	6.25%	7.00%
International Equities (Unhedged)	7.25%	7.75%
International Equities (Hedged)	7.50%	8.00%
Emerging International Equities	9.50%	9.75%

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NOTE 5 – PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Asset Class	2014 Long-Term Expected Real Rate of Return	2013 Long-Term Expected Real Rate of Return
Private Equity	8.75%	9.00%
Private Debt	8.00%	8.50%
Private Real Assets	7.75%	8.00%
Real Estate	6.25%	6.00%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	4.75%
Hedge Funds Mod Vol	5.50%	6.50%

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The College’s proportionate share of the net pension liability	\$16,663,924	\$12,247,344	\$8,558,351

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NOTE 5 – PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Pension plan fiduciary net position. Detailed information about ERB’s fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2014 and 2013 which are publicly available at www.nmerb.org.

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.

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;
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.

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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, 2014, the statutes 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, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% 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, 2015, 2014 and 2013 were \$181,865, \$177,514 and \$175,310, 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.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

There were no commitments or obligations outstanding at June 30, 2015.

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.

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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – 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 San Miguel, Guadalupe, Mora and Colfax Count 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. As of June 30, 2015, the College reported a property tax receivable in the amount of \$273,181.

NOTE 10 – RECONCILIATION OF BUDGET BASIS TO GAAP – REVENUES AND EXPENSES

	<u>Revenues</u>	<u>Expenses</u>
Budget basis (revenues) / expenditures	\$ (17,517,588)	16,634,261
Agency funds	(28,692)	26,512
Capital expenditures	-	(1,319,459)
Depreciation	-	1,457,163
Scholarship allowance	842,476	(842,476)
GAAP basis (revenue) / expense	<u>\$ (16,703,804)</u>	<u>15,956,001</u>

NOTE 11 – 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 Uncollateralized	Total Depository Balances
Demand Deposits				
Community First Bank	\$ 160,476	\$ -	\$ -	\$ 160,476
Certificates of Deposit				
Southwest Capital Bank	250,000	-	433,674	683,674
Total	<u>\$ 410,476</u>	<u>\$ -</u>	<u>\$ 433,674</u>	<u>\$ 844,150</u>

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 – 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 did not have a matching provision during the current fiscal year.

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.

NOTE 13 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 14 – RECENT ACCOUNTING PRONOUNCEMENTS

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement, which is effective for financial statements for periods beginning after June 15, 2014, establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected payments to their actuarial present value, and attribute that present value to periods of employee service. This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The College is a participant in the State of New Mexico Educational Retirement Board (ERB). ERB has provided information regarding the College's portion of allocated net pension liability which has been included in the FY15 financial statements. The GASB 68 implementation resulted in the restatement of fund balances as reported on the FY15 Statement of Revenues, Expenses and Changes in Net Position in the amount of (\$12,670,754).

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement, which is effective for financial statements for periods beginning after December 15, 2013, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *Government Combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The adoption of GASB Statement No. 69 had no effect on the College's financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of this statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. This statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contribution, if any, made subsequent to the measurement date of the beginning net pension liability. The requirement of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expenses in the first year of implementation of Statement No. 68. In the accrual-basis financial statements of employers and non-employer contributing entities. The College is a participant of the State of New Mexico Educational Retirement Board (ERB) and has recognized a beginning deferred outflow of resources for the pension contributions made subsequent to the measurement date in accordance with GASB Statement No. 71.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 15 – NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2015.

- GASB Statement No. 72, *Fair Value Measurement and Application*
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB Statement No.74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The College will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The College believes that the above listed pronouncements will not have a significant financial impact to the College or in issuing its financial statements.

NOTE 16 – PRIOR PERIOD ADJUSTMENT

Net position at June 30, 2015 was restated in the amount of \$12,670,754. This restatement was due to the implementation of GASB 68.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2015**

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
College's Proportion of the Net Pension Liability (Asset)	0.21%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
College's Proportionate Share of Net Pension Liability (Asset)	\$ 12,247	-	-	-	-	-	-	-	-	-
College's Covered-Employee Payroll	\$ 5,917	-	-	-	-	-	-	-	-	-
College's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	207.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.54%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*The amounts presented for each fiscal year were determined as of June 30, 2014

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF COLLEGE CONTRIBUTIONS
June 30, 2015

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually Required Contribution	\$ 778	-	-	-	-	-	-	-	-	-
Contributions in Relation to the Contractually Required Contribution	778	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	-

Increase (Decrease) in Pension Expense over Recognition Periods

Year	Total Amount Deferred	Amortization Years	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014	\$ 1,278	5		\$ 335	\$ 335	\$ 329	278	-	-	-	-	-
2015	-	5										
2016	-	5										
2017	-	5										
2018	-	5										
2019	-	5										
2020	-	5										
2021	-	5										
2022	-	5										
2023	-	5										
	\$ 1,278			\$ 335	335	329	278	-	-	-	-	-

Notes to Required Supplementary Information

Change of Benefit Terms. The COLA and retirement eligibility benefit changes in recent years are described in the *Benefits Provided* subsection of the financial statement not disclosure *Pension Plan - Educational Retirement Board*.

Changes of assumptions. ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on April 26, 2013, ERB implemented the following changes in assumptions for fiscal years 2014 and 2013.

1. Fiscal year 2014 and 2013 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 4.75% to 4.25%
 - b. Lower payroll growth from 3.75% to 3.50%
 - c. Minor changes to demographic assumptions
 - d. Population growth per year from 0.75% to 0.50%
2. Assumptions that were not changed:
 - a. Investment return will remain at 7.75%
 - b. Inflation will remain at 3.00%

See also the *Actuarial Assumptions* subsection of the financial statement note disclosure *Pension Plan - Educational Retirement Board*.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
COMBINED REVENUES AND EXPENDITURES BUDGET COMPARISONS -
UNRESTRICTED AND RESTRICTED - ALL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 1,680,718	2,887,176	2,887,176	-
Revenues:				
State general fund appropriations	8,906,581	8,916,581	8,730,719	(185,862)
Federal revenue sources	6,230,479	6,874,360	3,366,649	(3,507,711)
Tuition and fees	1,223,954	1,138,954	984,996	(153,958)
Private gifts, grants and contracts	1,588,045	1,747,981	1,664,417	(83,564)
Other	2,567,262	6,677,218	2,518,529	(4,158,689)
Total revenues	<u>20,516,321</u>	<u>25,355,094</u>	<u>17,265,310</u>	<u>(8,089,784)</u>
Expenditures:				
Instruction	4,718,976	5,100,656	4,345,905	(754,751)
Academic support	1,298,576	1,620,787	1,308,734	(312,053)
Student services	1,966,998	1,672,692	1,390,167	(282,525)
Institutional support	2,507,457	2,644,398	2,400,525	(243,873)
Operation and maintenance of plant	2,114,673	2,106,373	1,979,736	(126,637)
Subtotal Instruction and general	<u>12,606,680</u>	<u>13,144,906</u>	<u>11,425,067</u>	<u>(1,719,839)</u>
Student social and cultural	20,645	20,645	18,927	(1,718)
Public service	468,156	560,269	401,715	(158,554)
Student aid	6,633,025	6,760,796	2,601,977	(4,158,819)
Auxiliary enterprises	751,540	783,770	589,179	(194,591)
Intercollegiate athletics	416,701	416,701	401,397	(15,304)
Capital outlay	200,000	4,418,251	1,055,669	(3,362,582)
Renewal and replacements	269,884	269,884	127,488	(142,396)
Total expenditures	<u>21,366,631</u>	<u>26,375,222</u>	<u>16,621,419</u>	<u>(9,753,803)</u>
Net Transfers to (from)	-	-	-	-
Change in net assets (budgetary basis)	(850,310)	(1,020,128)	643,891	1,664,019
Ending fund balance	<u>\$ 830,408</u>	<u>\$ 1,867,048</u>	<u>\$ 3,531,067</u>	<u>\$ 1,664,019</u>

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
UNRESTRICTED CURRENT FUNDS -
SUMMARY OF INSTRUCTION AND GENERAL
REVENUES AND EXPENDITURES BUDGET COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balance	\$ 1,372,285	2,615,996	2,615,996	-
Revenues:				
Tuition and fees	1,203,309	1,118,309	952,771	(165,538)
Government appropriations - state	8,314,000	8,314,000	8,315,111	1,111
Government appropriations - local	1,500,000	1,500,000	1,783,321	283,321
Grants and contracts - federal	-	-	-	-
Grants and contracts - state	-	-	-	-
Gifts, grants and contracts - private	-	-	-	-
Sales and service	-	-	-	-
Other sources	10,800	16,800	40,325	23,525
Total revenues	<u>11,028,109</u>	<u>10,949,109</u>	<u>11,091,528</u>	<u>142,419</u>
Expenditures:				
Instruction	4,334,558	4,405,565	3,968,182	(437,383)
Academic support	648,580	635,905	565,157	(70,748)
Student services	1,966,997	1,668,936	1,387,094	(281,842)
Institutional support	2,507,457	2,644,398	2,400,526	(243,872)
Operation and maintenance of plant	2,114,673	2,106,373	1,979,735	(126,638)
Total expenditures	<u>11,572,265</u>	<u>11,461,177</u>	<u>10,300,694</u>	<u>(1,160,483)</u>
Net Transfers to (from)	<u>433,221</u>	<u>437,221</u>	<u>410,759</u>	<u>(26,462)</u>
Change in net assets - budgetary basis	<u>(110,935)</u>	<u>(74,847)</u>	<u>1,201,593</u>	<u>1,276,440</u>
Ending fund balance	<u>\$ 1,261,350</u>	<u>\$ 2,541,149</u>	<u>\$ 3,817,589</u>	<u>\$ 1,276,440</u>

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
RESTRICTED CURRENT FUNDS -
SUMMARY OF INSTRUCTION AND GENERAL
REVENUES AND EXPENDITURES BUDGET COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Grants and contracts - federal	\$ 1,027,318	1,559,576	1,015,582	(543,994)
Grants and contracts - state	7,096	118,447	101,845	(16,602)
Other sources	-	5,705	6,972	1,267
	<u>1,034,414</u>	<u>1,683,728</u>	<u>1,124,399</u>	<u>(559,329)</u>
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	<u>1,034,414</u>	<u>1,683,728</u>	<u>1,124,399</u>	<u>(559,329)</u>
Expenditures:				
Instruction	384,418	695,091	377,750	(317,341)
Academic support	649,996	984,882	743,577	(241,305)
Student services	-	3,755	3,072	(683)
Total expenditures	<u>1,034,414</u>	<u>1,683,728</u>	<u>1,124,399</u>	<u>(559,329)</u>
Net Transfers to (from)	-	-	-	-
Change in net assets - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2015

	Wells Fargo	Southwest Capital Bank
Total amount on deposit at bank in checking accounts	\$ 21,244	3,997,092
Total amount on deposit at bank in certificates of deposit	-	-
FDIC Insurance	(21,244)	(250,000)
Total uninsured public funds	\$ -	3,747,092
50% collateral requirement (Section 6-10-17 NMSA 1978)	\$ -	1,873,546

Pledged Collateral:

Security	CUSIP No.	Location	Maturity		
FHLB: FED HOME BANK LOAN	3138EKPX7	Southwest Capital Bank	January 1, 2023	\$	452,404
FHLB: FED HOME BANK LOAN	3128MDAT0	Southwest Capital Bank	October 1, 2026		241,528
FHLB: FED HOME BANK LOAN	31410LLW0	Southwest Capital Bank	June 1, 2028		253,368
FHLB: FED HOME BANK LOAN	36225FGQ6	Southwest Capital Bank	August 20, 2041		383,987
FHLB: FED HOME BANK LOAN	36225FGQ6	Southwest Capital Bank	August 20, 2041		195,833
FHLB: FED HOME BANK LOAN	36225FGQ6	Southwest Capital Bank	August 20, 2041		76,797
FHLB: FED HOME BANK LOAN	3138EN5E5	Southwest Capital Bank	August 1, 2044		323,464
Amount over collateralized				\$	1,927,381

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF CASH AND CASH EQUIVALENTS
YEAR ENDED JUNE 30, 2015

College:

<u>Account Name</u>	<u>Type of Account</u>	<u>Balance Per Bank Statement</u>	<u>Reconciled Balance Per Books</u>
Wells Fargo			
Santa Rosa Account	Checking	\$ 13,135	\$ 13,135
Springer Account	Checking	8,109	8,109
	Total	<u>21,244</u>	<u>21,244</u>
Southwest Capital Bank			
General Disbursement	Checking	3,635,578	3,433,615
Payroll	Checking	312,211	141,333
Student Activity	Checking	49,303	58,017
	Total	<u>3,997,092</u>	<u>3,632,965</u>
	Total	<u>\$ 4,018,336</u>	<u>\$ 3,654,209</u>
Foundation			
Community 1st Bank			
Checking	Checking	\$ <u>160,476</u>	\$ <u>160,476</u>
	Total	<u>160,476</u>	<u>160,476</u>
Southwest Capital Bank			
Short-Term Investments	Certificate of Deposit	<u>683,674</u>	<u>683,674</u>
	Total	<u>\$ 844,150</u>	<u>\$ 844,150</u>

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF MEMORANDUMS OF UNDERSTANDING
FOR THE YEAR ENDED JUNE 30, 2015**

Administering Agency						LCC	Amount Expended as of	Audit	Fiscal	Reporting
<u>Responsible Party</u>	<u>Description</u>	<u>Begin Date</u>	<u>End Date</u>	<u>Total Amount</u>	<u>Amount</u>	<u>6.30.15</u>	<u>Party</u>	<u>Agent</u>	<u>Agency</u>	
Santa Rosa	Dual Credit	7.1.15	6.30.16	N/A	N/A	N/A	LCC	LCC	Both	
Quemado	Dual Credit	7.30.15	6.30.18	N/A	N/A	N/A	LCC	LCC	Both	
Mora Independent	Dual Credit	7.30.15	6.30.18	N/A	N/A	N/A	LCC	LCC	Both	
West Las Vegas	Dual Credit	7.1.15	6.30.16	N/A	N/A	N/A	LCC	LCC	Both	
United World College	Clinical Instruction/Nursing	8.1.15	8.30.17	N/A	N/A	N/A	LCC	LCC	Both	
Alta Vista Hospital	Clinical Instruction/Nursing	8.1.15	8.30.17	N/A	N/A	N/A	LCC	LCC	Both	
Guadalupe Co. Hospital	Clinical Instruction/Nursing	8.1.15	8.30.17	N/A	N/A	N/A	LCC	LCC	Both	
El Centro Health	Clinical Instruction/Nursing	8.1.15	8.30.17	N/A	N/A	N/A	LCC	LCC	Both	
Mora County	Clinical Instruction	8.1.15	6.30.16	N/A	N/A	N/A	LCC	LCC	Both	
Tooth Wranglers	Clinical Instruction	5.1.15	7.31.17	N/A	N/A	N/A	LCC	LCC	Both	
San Miguel Co. Detention	GED Prep/Literacy Improvement	7.1.15	6.30.16	N/A	N/A	N/A	LCC	LCC	Both	
City of Las Vegas	Rodriguez Park/Baseball Field	10.1.13	3.1.16	N/A	N/A	N/A	LCC	LCC	Both	
Superfan	Consultant	8.14.15	7.31.18	\$	- \$	- \$	- LCC	LCC	Both	
LCC	Cooperative Agreement	1.1.12	9.30.16	\$	- \$	- \$	- LCC	LCC	Both	
LCC	Clinical Instruction	1.27.12	8.30.14	\$	- \$	- \$	- LCC	LCC	Both	
LCC	Clinical Instruction	2.1.12	1.31.15	\$	- \$	- \$	- LCC	LCC	Both	

SINGLE AUDIT SECTION

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

To the Board of Trustees
Luna Community College
and
Mr. Tim Keller, 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 discretely presented component units of the Luna Community College (the “College”) as of and for the year ended June 30, 2015, 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 5, 2015.

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, or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-001.

Purpose of this Report

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



Axiom CPAs and Business Advisors, LLC.
Albuquerque, New Mexico
November 5, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Trustees
Luna Community College
and

Mr. Tim Keller, New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the 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 each of the College's major federal programs for the year ended June 30, 2015. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Axiom CPAs and Business Advisors
Albuquerque, New Mexico
November 5, 2015

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Award/Subaward Number	Federal Expenditures
United States Treasury			
AmeriCorps State and National	94.006	N/A	\$ 7,430
United States Small Business Administration			
Passed through the New Mexico Small Business Development Center Small Business Development Centers	59.037	N/A	20,689
United States Department of Education			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants	84.007	(13-14)	602
Federal Supplemental Educational Opportunity Grants	84.007	(14-15)	49,950
Federal Work-Study Program	84.033	(13-14)	1,524
Federal Work-Study Program	84.033	(14-15)	34,266
Federal Pell Grant Program	84.063	(13-14)	5,255
Federal Pell Grant Program	84.063	(14-15)	1,871,168
Direct Loans Un-Subsidized	84.268	(13-14)	3,388
Direct Loans Subsidized	84.268	(14-15)	4,518
Direct Loans Un-Subsidized	84.268	(13-14)	77,616
Direct Loans Subsidized	84.268	(14-15)	196,575
Total Student Financial Aid Cluster			2,244,862
Higher Education Institutional Aid - Title V	84.031S	P031S120116-13	69,550
Higher Education Institutional Aid - Title V	84.031S	P031S120116-14	660,043
			729,593
Passed through New Mexico Highlands University			
Higher Education Institutional Aid - Title V	84.031C	N/A	11,547
Higher Education Institutional Aid - Title V	84.031C	N/A	50,338
Total passed through New Mexico Highlands University			61,885
Total Higher Education Institutional Aid - Title V			791,478
Passed through the State of New Mexico Higher Education Department			
Doctorial Dissertation Research Abroad	84.022	689888 (14-15)	26,117
Total Department of Education			3,062,457
United States Department of Health and Human Services			
Passed through the University of New Mexico			
AHEC-POSME	93.107	Subaward#3RF40	38,228
AHEC-POSME	93.107	Subaward#3RF40	48,565
			86,793
United States Department of Labor			
Youth Build	17.274	YB-23491-12-60-A-35	68,974
Youth Build	17.274	YB-23491-12-60-A-35	121,192
			190,166
Total United States Department of Labor			190,166

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

National Science Foundation

Passed through New Mexico Tech			
STEM Grant Transfer (STeP)	47.076	DUE-1161334 NMIMT#STEM10	2,447
STEM Grant Transfer (STeP)	47.076	DUE-1161334 NMIMT#STEM10	<u>5,374</u>
Total National Science Foundation			<u>7,821</u>

Total Federal Expenditures			<u><u>\$ 3,375,356</u></u>
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**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015**

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, 2015. 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, 2015, the College processed \$282,097 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.

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

Section A – Summary of Auditor’s Results

Financial Statements

Type of Auditor’s report issued:	<u>Unmodified</u>
Internal control over financial reporting: Material Weakness reported?	No
Significant deficiencies reported not considered to be material weaknesses?	None noted
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weaknesses reported?	No
Significant deficiencies reported not considered to be material weaknesses?	None noted
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of major programs:	
Student Financial Assistance Cluster – Various CFDA numbers	
Dollar threshold used to distinguish Between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

Section B – Financial Statement Findings

None.

Section C – Federal Award Findings and Questioned Costs

None.

Section D – Other Matters as required by New Mexico State Statute 12-6-5, NMSA 1978

2015-001 Review and Approval of Payroll Journal Entries (Other Matters)

Condition: During our review of journal entries, we noted that payroll journal entries prepared by the Payroll Manager were not reviewed or approved.

Criteria: 6-5-2C NMSA 1978 states that an entity shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

Effect: The absence of a review and approval process over journal entries could result in accounting errors, which could further result in unreliable financial information generated from the accounting system.

Cause: There is a breakdown in controls over the journal entry review and approval process.

Recommendation: We recommend the Human Resources Director review and approve all payroll journal entries prepared by the Payroll Manager.

Management's Response: *The Human Resources Director will review and approve all payroll journal entries prepared by the Payroll Manager. The Human Resources Director and Payroll Manager will sign off on a form such as the one the Fiscal Office has in place stating review and approval has been adhered to.*

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2015**

Status of Prior Year Audit Findings	Current Status
2014-001 Segregation of Duties in Payroll Disbursements	Resolved

**STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2015**

The contents of this report were discussed in the exit conference held on November 5, 2015. The parties agreed to the factual accuracy of the comments contained herein. In attendance were the following individuals:

Representing the Board of Trustees of Luna Community College

David Guitierrez	Board Member
Kenneth Medina	Board Member
Mike Adams	Board Member

Representing Luna Community College

Leroy Sanchez	President
Donna Flores-Medina	Vice President of Finance and Administration
Evelyn Montoya	Executive Office Manager, Finance and Administration
Francina Martinez	Comptroller
Leticia Archuleta	Human Resources
Amanda Ortiz	Student Financial Aid
Ron Duran	Bookstore
Julianna Ortega	Purchasing

Representing Luna Community College Foundation

Sarah Flores	Executive Director Foundation
Mike Adams	Foundation Board Member

Representing Axiom CPAs and Business Advisors, LLC.

Chris Garner	Partner
Bryan Runyan	Supervisor