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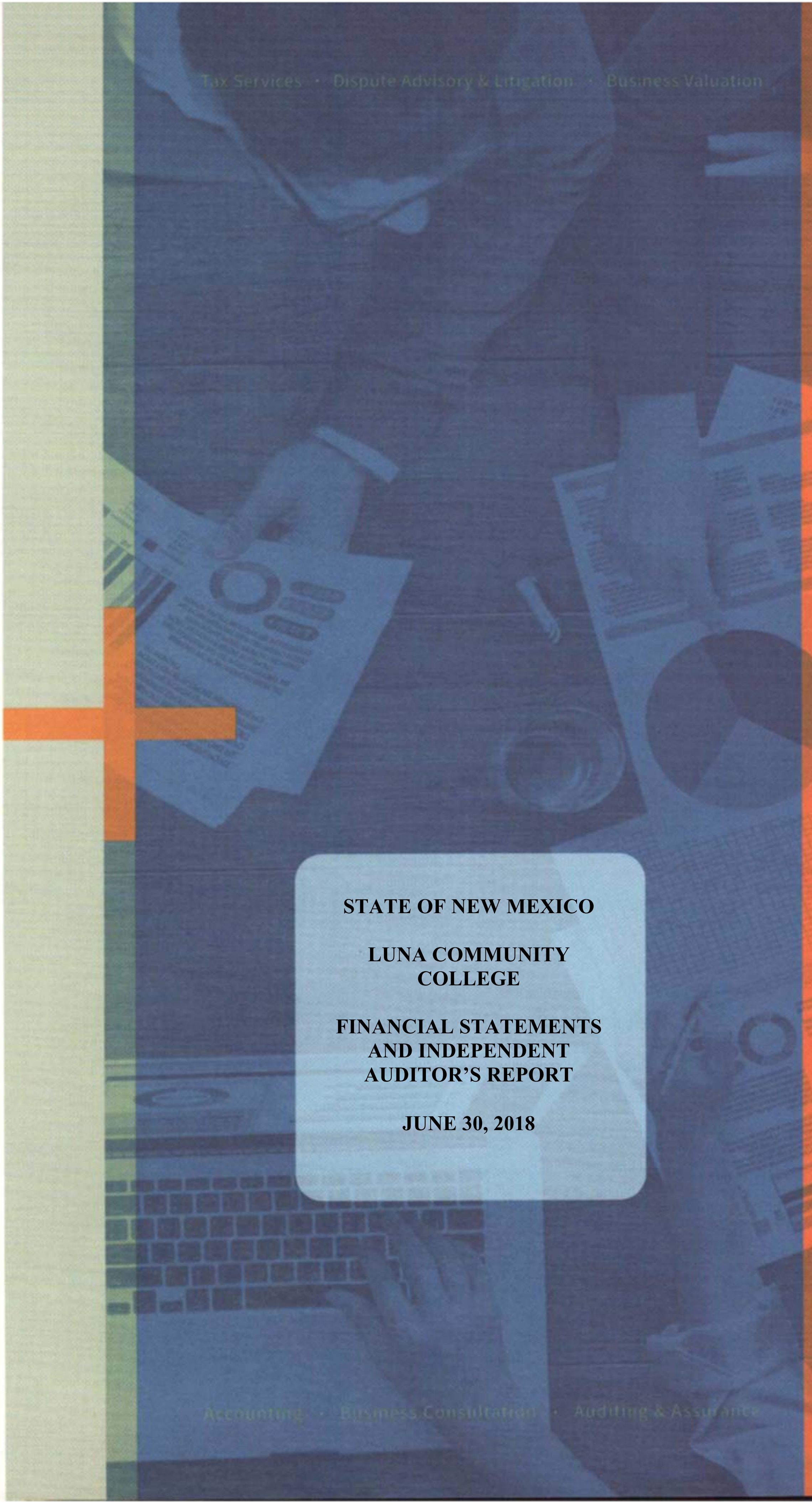


# STATE OF NEW MEXICO

# LUNA COMMUNITY COLLEGE

# FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

## JUNE 30, 2018

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**

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**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**

**June 30, 2018**

## BOARD OF TRUSTEES AND PRINCIPAL OFFICERS

# FINANCIAL SECTION

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# INDEPENDENT AUDITOR'S REPORT

Mr. Wayne Johnson
New Mexico State Auditor
and
The Board of Trustees
Luna Community College

## Report on Financial Statements

We have audited the accompanying financial statements and the budgetary comparisons of the business-type activities and discretely presented component unit of Luna Community College (the "College") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

**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 discretely presented component unit and the budgetary comparisons of the College as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, and the budgetary comparisons as of and for the year ended June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements of the College are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of its business-type activities that are attributable to the transactions of Luna Community College. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. The College's financial statements are included in the financial statements of the State of New Mexico.

**Other Matters**

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and on pages 4 to 9 and the pension schedules on pages 33 to 38 for the College's participation in the Educational Retirement Board Pension Plan 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements and the budgetary comparisons also including the basic financial statements of the Luna Community College Foundation as of and for the year ended June 30, 2018. The accompanying Schedule of Individual Deposit Accounts and Schedule of Pledged Collateral by Depository, as required by 2.2.2 NMAC and the Schedule of Expenditures of Federal awards as required by 2 US Code of Federal Regulations (CFR) Part 200

*Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.
The schedules required by 2.2.2 NMAC and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United states of America. In our opinion, the Schedule of Individual Deposit accounts and Pledged Collateral, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards,* we have also issued our report dated October 26, 2018, on our consideration of the College's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Ricci & Company, LLC*

Albuquerque, New Mexico
October 26, 2018

## 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, 2018. The following discussion and analysis provides an overview of the financial position and activities of the College and is intended to be user-friendly information for all readers.

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

## THE BASIC FINANCIAL STATEMENTS

Required under GASB 34/35 is the presentation of all of the College's year-end assets, liabilities and net assets in one column, as is the presentation of its expense, revenues and the resulting change in net assets, 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 assets 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 assets (assets minus liabilities).

Changes in total net assets 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.

## 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.

Luna Community College
Condensed Summary of Net Assets
June 30, 2018

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| Current assets | $ 5,622,433 | $ 5,696,717 |
| Non current assets-Deferred outflows | $ 7,316,332 | $ 2,221,985 |
| Capital assets, net of accumulated depreciation | $ 23,479,201 | 21,295,397 |
| Total Assets | $ 36,417,966 | $ 29,214,099 |
| **Liabilities** | | |
| Current liabilities | $ 817,729 | $ 770,350 |
| Noncurrent liabilities - Includes deferred inflows | 30,431,663 | 15,940,530 |
| Total Liabilities | $ 31,249,392 | $ 16,710,880 |
| **Net Assets** | | |
| Invested in capital assets, net of accumulated depreciation | $ 23,479,201 | $ 21,295,397 |
| Unrestricted | (18,310,627) | (8,792,178) |
| **Total Net Assets** | $ 5,168,574 | $ 12,503,219 |

68% of the College's current assets consist of cash plus other assets deemed to be consumed or convertible to cash within one year totaling $ 3,828,551.

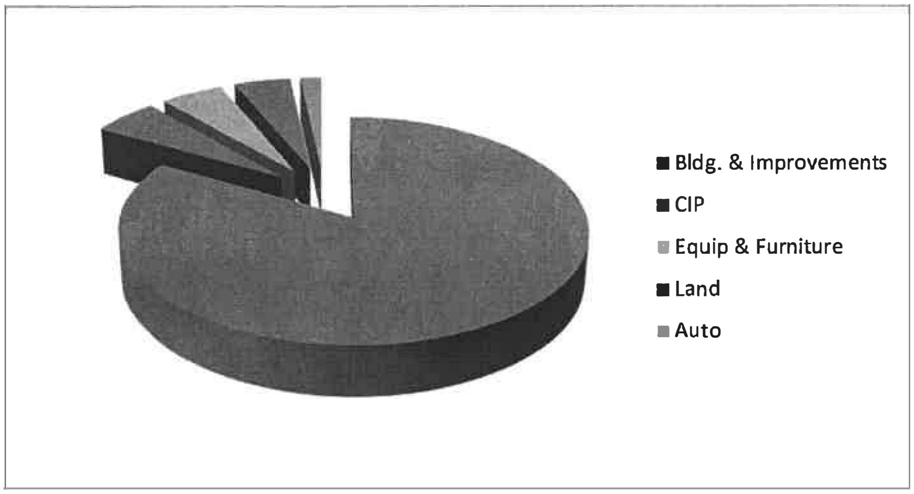
Current liabilities are amounts due within one year of $ 817,729

At June 30, 2018, the College's current ratio was nearly 7:1. The largest category of non-current assets is capital assets, net of accumulated depreciation $ 23,479,201.

The 59% decrease in Total Net Assets is attributable to the changes in Pension activity and the implementation of initial inclusion of the OPEB's (NMRHCA) proportionate share of the liability.

**REPORTING ENTITY (Continued)**

Capital Assets at Cost




Luna Community College
Condensed Summary of Revenue, Expenses and Changes in Net Assets
June 30, 2018

| | 2018 | 2017 |
|---|---|---|
| **Operating Revenues By Major Source** | | |
| Tuition | $ 476,143 | $ 486,292 |
| Contracts and grants | 5,846,705 | 4,276,348 |
| Sales and services of auxiliary enterprises | 424,658 | 602,370 |
| Other | 59,987 | 42,740 |
| | 6,807,493 | 5,407,750 |
| **Operating Expenses By Major Function** | | |
| Instruction | 4,892,610 | 4,513,843 |
| Academic support | 919,395 | 796,470 |
| Student services | 1,837,702 | 1,663,589 |
| Institutional support | 2,502,163 | 2,197,858 |
| Operating and maintenance support | 2,184,429 | 2,055,386 |
| Public service | 486,008 | 445,808 |
| Student aid | 1,549,406 | 1,569,905 |
| Auxiliaries | 567,288 | 562,135 |
| Agency/Athletics/Student Activities/R&R | 669,238 | 835,833 |
| Renewals and Replacements | 246,280 | |
| Depreciation | 1,204,636 | 1,109,616 |
| | 17,059,155 | 15,750,443 |

**REPORTING ENTITY (Continued)**

| **Nonoperating Revenue (Expense)** | 2018 | 2017 |
|---|---|---|
| Appropriations | 7,910,900 | 8,065,700 |
| Other | 1,974,287 | 1,872,880 |
| | 9,885,187 | 9,938,580 |
| Income (loss) before other revenues and expenses | (366,475) | (404,113) |
| Capital gains (losses) and gifts, net | - | - |
| Total increase (decrease) in net position | (366,475) | (404,113) |
| **Net Position, Beginning of Year** | 12,503,219 | |
| Restatement related to GASB 75 Implementation | (6,968,170) | |
| **Net Position, Beginning of Year as restated** | 5,535,049 | 12,907,332 |
| **Net Position, End of Year** | $ 5,168,574 | $ 12,503,219 |

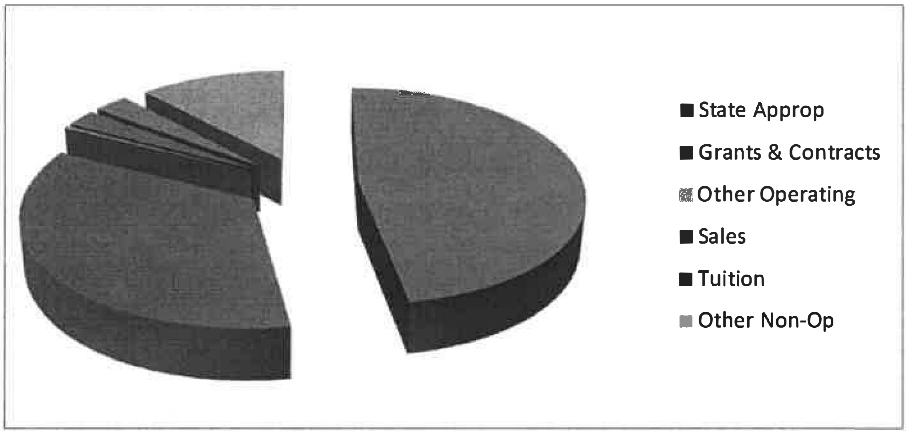
Revenues in this reporting model are shown by source of funding. Operating revenues are generally defined as exchange transactions produced in conducting the primary business operations of the College, including instruction and public service. Non-operating revenues are generally defined as non-exchange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

The 59% variance, decrease in Net Position is due the prior period adjustment to account for GASB 75 implementation.

## REPORTING ENTITY (Continued)

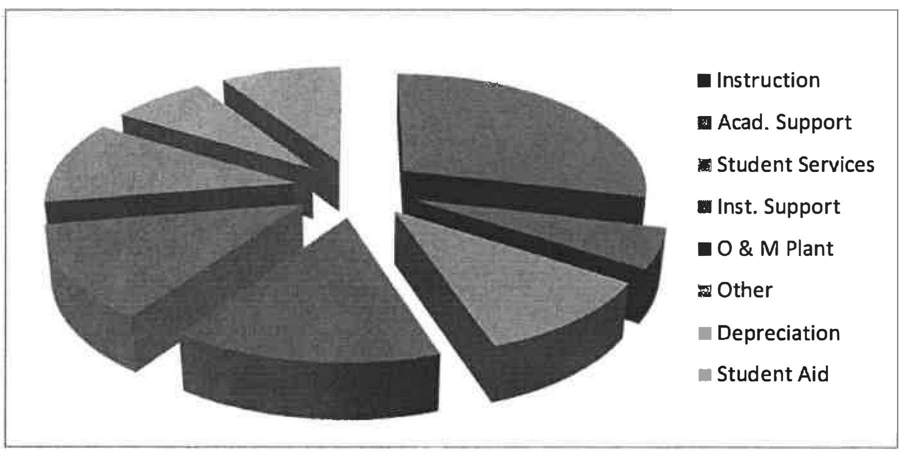
Although State of New Mexico appropriations are considered non-operating revenues, the College uses these funds to support key operations. The following chart displays revenues by source (some categories are combined).

Revenue By Source




The College elected to present expenses on the Statement of Revenue, Expenses and Changes in Net Assets 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 2018 Net Position showed a decrease of $7,334,645 of which a decrease of $ 6,968,170 was for the GASB 75 restatement related to OPEB (RHCA)..

## REPORTING ENTITY (Continued)

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

Prior Year Comparison of Changes in Net Assets

| | 2018 | 2017 | Change |
|---|---|---|---|
| Change in Net Assets | $ (7,334,645) | $ (404,113) | $ (6,930,532) |
| | | - | $ - |
| Capital, net | 23,478,832 | 21,295,397 | $ 2,183,435 |
| Unrestricted | (18,310,258) | (8,792,178) | $ (9,518,080) |

An analysis of financial position shows an deficit balance in unrestricted assets, due to GASB 68 and 75.

Luna Community College
Condensed Summary of Cash Flows
June 30, 2018

| | 2018 | 2017 |
|---|---|---|
| Cash Flows Used By Operating Activities | $ (7,179,498) | $ (9,408,652) |
| Cash Flows Provided From Noncapital Financing Activities | 9,901,676 | 11,246,710 |
| Cash Flows Provided From Investment Activities | 7,974 | (1,427,958) |
| Cash Flows Used By Capital and Related Financing Activities | (3,435,425) | 5,585 |
| Net Increase (Decrease) In Cash and Cash Equivalents | (705,273) | 415,685 |
| Cash and Cash Equivalents, Beginning of Year | 4,533,824 | 4,118,139 |
| **Cash and Cash Equivalents, End of Year** | $ 3,828,551 | $ 4,533,824 |

## FACTORS IMPACTING FUTURE PERIODS & ECONOMIC OUTLOOK

Increase student pipeline through Dual Credit
Luna has a Geographical Area of Responsibility (GAR) that includes 10 high schools – Vaughn, Santa Rosa, West Last Vegas, Las Vegas City Schools, Mora, Springer, Maxwell, Santa Rosa, Cimarron and Raton (discussions are being had to bring this district back in). Several of these districts have begun using online course partnerships, with other institutions, to maximize dual credit offerings to students. Luna is concerned with embracing online-exclusive Dual Credit models, specifically, given the high rates at which students need developmental Math (90%) and English (72%) course work.

Therefore, we are working with high school principals to extend Luna a Dual Credit period. This 1-hour period/day allows the College to send instructors to each high school and provide direct face-to-face instruction to high school students. This model provides enough contact hours to provide students with 12 credit hours per academic year. All courses will be a part of the NM Common Core Courses.

Increase evening enrollment through increased course offerings
A review of the College's course schedule determined that less than 10% of courses had a start time after 5:00 p.m. This gradual decrease in evening courses has taken place over several years, limiting course offerings to students available between 8:00 a.m. and 5:00 p.m. Additionally our limited evening offerings required that students take a course two nights a week, 75 minutes per night.

Beginning this fall, each of the College's degree programs will offer at least six credit hours which that begin after 5:00 p.m. Additionally, we will offer nearly a dozen general core courses, per semester, all with start times after 5:00 p.m. A large percentage of these courses be offered in a 5:30 – 8:30 p.m. format, allowing students to take up to four courses, per semester, for a total of 12 credit hours.

Increase completion through efficient course offerings
A major criticism from students over the past year has been their ability to make satisfactory academic progress toward degree completion. This challenge has been compounded by inefficient course scheduling practices that provide students with the sequence of courses needed to graduate quickly, over a period.

Beginning in the Fall 2018, each degree program will offer at least 15 credit hours toward degree completion, without time overlaps or conflicts. Currently, LCC offers 10 certificate programs that can be earned within two full-time semesters under this new model.

Increase Retention through Intrusive Advisement
For years, studies have underscored the role effective student advisement plays in student retention and success. Together with student services staff, the College has rolled out an Intrusive Advisement Program.

## FACTORS IMPACTING FUTURE PERIODS & ECONOMIC OUTLOOK (CONTINUED)

The Program aims to increase year-one retention rates by providing first-time freshman with comprehensive services that promote student success and retention.

Key Strategies:

- Transfer students to faculty advisors after second semester
- All first-time freshman are assigned to a Success Center Advisor for their first two semesters
- All first-time freshman are required to participate in a New Student Orientation
- All first-time freshman must meet with their assigned advisor before making changes to their schedules
- All first-time freshman are strongly advised to take necessary developmental and other general education courses throughout their first two semesters

A component of the Intrusive Advisement Program is the Early Alert Program. The Program is a notification process through which students receive intervention before they reach a high risk for failing a course. All alerts are submitted by faculty, and received and recorded by the Student Success Center. Advisors must provide face-to-face intervention.

Faculty Advisors have also been inserted into each academic department to assist students individually with guidance and mentoring.

Promoting the Institution

In 2017, the College revived the institutional communications and marketing department, reestablishing and underscoring the value and quality of Luna. The college has just rolled out a comprehensive marketing campaign called, Better than Ever! The campaign underscores the quality and transferability of Luna courses and the thousands of dollars students can save by making Luna their first stop along a Bachelor’s degree pathway. The diverse campaign will promote the ability for students to earn a certificate within a year, three industry credentials within a semester, and several other two-year programs that increase employability or that transfer toward a bachelor’s degree at the average cost of 0 per credit hour.

Increase Capacity to Evaluate Institutional Effectiveness

The College has created an Institutional Research Office under the Vice President for Instruction. The IR office is responsible for measuring the institution’s progress against its own strategic plan, along with other pre-determined metrics (for example: Funding Formula). This measure will be critical to making sound and informed changes to institutional retention and completion measures. The office is also going to be critical in facilitating a campus-wide culture of data-driven decision making towards continuous improvement.

**FACTORS IMPACTING FUTURE PERIODS & ECONOMIC OUTLOOK**

Summary highlights/accomplishments:

Government and establishing a Staff Senate and Academic Leadership.

The College was fonnally removed from Show-Cause by the HLC on June 28, 2018.
Institutional and Board policies have been updated and embraced.
Luna has amassed a fund balance greater than 15% of its budgeted expenditures.
We have addressed issues related to fixed assets.
The College has created a formal shared governance model that was approved by the Board of Trustees which included reviving the Student

The College is working collaboratively with the NM OSA to reconcile LCC Foundation holdings and have included two years of foundation audit in this year's audit scope

The College has sustained its program accreditations in trades, Dental, Nursing and Business.
The Media Arts auditorium – a $2.4 million public space, is functional.
A salary parity plan distributed a total of $316,000 aimed at addressing employee retention and recruitment.
The College established a Veterans Resource Center, a Communications and Marketing Office, and an Institutional Research Office.

For more detail and explanations, the reader should re er to the notes and other required supplementary in ormation contained in this document.

**Contact In ormation**

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 8770 1
www.luna.edu
Phone: (505) 454-5328

# BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**
**STATEMENT OF NET POSITION**
**June 30, 2018**

| | Primary Institution | LLC Foundation |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 3,828,551 | $ 148,689 |
| Student accounts receivable | | |
| (net of an allowance of $906,725) | 70,294 | - |
| Property tax receivables | 242,799 | - |
| Grant receivables | 1,375,214 | - |
| Other receivables | - | 16,981 |
| Investments | - | 706,636 |
| Inventory | 105,575 | - |
| **Total current assets** | 5,622,433 | 872,306 |
| Noncurrent Assets | | |
| Capital assets, net of accumulated depreciation | 23,479,201 | - |
| **Total noncurrent assets** | 23,479,201 | - |
| Deferred outflows | | |
| Deferred outflows - related to pensions | 7,206,656 | - |
| Deferred outflows - related to OPEB | 109,676 | - |
| **Total deferred outflows** | 7,316,332 | - |
| **Total assets and deferred outflows of resources** | $ 36,417,966 | $ 872,306 |
| **LIABILITIES** | | |
| Current Liabilities | | |
| Accounts payable | $ 66,042 | $ - |
| Accrued liabilities | 201,720 | - |
| Unearned revenue | 514,918 | - |
| Accrued compensated absences | 35,049 | - |
| **Total current liabilities** | 817,729 | - |
| Noncurrent Liabilities | | |
| Accrued compensated absences | 193,647 | - |
| Net pension liability | 21,652,370 | - |
| Net OPEB liability | 5,866,251 | - |
| **Total non-current liabilities** | 27,712,268 | - |
| Deferred inflows | | |
| Deferred inflows - related to pensions | 1,384,250 | - |
| Deferred inflows - related to OPEB | 1,335,145 | - |
| **Total deferred outflows** | 2,719,395 | - |
| **Total liabilities and deferred inflows of resources** | 31,249,392 | - |
| **NET POSITION** | | |
| Net investment in capital assets | 23,479,201 | - |
| Unrestricted | (18,310,627) | 872,306 |
| **Total net position** | 5,168,574 | 872,306 |
| **Total net position, liabilities and deferred inflows of resources** | $ 36,417,966 | $ 872,306 |

The Notes to the Financial Statements are an integral part of this statement.

# STATE OF NEW MEXICO
# LUNA COMMUNITY COLLEGE
# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
# Year Ended June 30, 2018

| | Primary Institution | LCC Foundation |
|---|---|---|
| **OPERATING REVENUES** | | |
| Tuition and fees | $ 820,171 | $ - |
| Tuition discounts and allowances | (344,028) | - |
| | 476,143 | |
| Federal grants and contracts | 2,059,772 | - |
| State and local grants and contracts | 3,674,011 | - |
| Private grants and contracts | 113,797 | - |
| Sales and services of auxiliary enterprises | 424,658 | - |
| Other | 59,112 | 3,127 |
| **Total operating revenues** | 6,807,493 | 3,127 |
| **EXPENSES** | | |
| Instruction and general | | |
| Instruction | 4,892,610 | - |
| Academic support | 919,395 | - |
| Student services | 1,837,702 | - |
| Institutional support | 2,502,163 | 3,391 |
| Operations and maintenance support | 2,184,429 | - |
| Total instruction and general | 12,336,299 | 3,391 |
| Public service | 486,008 | - |
| Student aid grants and stipends | 1,893,434 | - |
| Tuition discounts and allowances | (344,028) | - |
| Auxiliary enterprises | 567,288 | - |
| Agency funds | 11,849 | - |
| Athletics | 636,700 | - |
| Student activities | 20,689 | - |
| Renewals and replacement | 246,280 | - |
| Depreciation | 1,204,636 | - |
| **Total operating expenses** | 17,059,155 | 3,391 |
| Operating loss | $ (10,251,662) | $ (264) |

The Notes to the Financial Statements are an integral part of this statement.

# STATE OF NEW MEXICO
# LUNA COMMUNITY COLLEGE
# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
## Year Ended June 30, 2018

| | Primary Institution | LCC Foundation |
|---|---|---|
| Non operating revenues | | |
| State appropriations | $ 7,910,900 | $ - |
| Local property tax levy | 1,965,355 | - |
| Interest and investment income | 7,974 | 13,417 |
| Other revenues | 958 | - |
| **Net non-operating revenues** | 9,885,187 | 13,417 |
| Change in net position | (366,475) | 13,153 |
| Net Position - beginning of year, as previously stated | 12,503,219 | 859,153 |
| Restatement related to GASBS 75 implementation | (6,968,170) | - |
| Net Position - beginning of year, as restated | 5,535,049 | 859,153 |
| **Net Position, end of year** | $ 5,168,574 | $ 872,306 |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**
**STATEMENT OF CASH FLOWS**
**Year Ended June 30, 2018**

| | Primary Institution | LCC Foundation |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Tuition and fees | $ 494,365 | $ - |
| Grants and contracts | 5,144,386 | - |
| Sales and services | 483,770 | - |
| Other operating receipts | - | 3,127 |
| Payments to employees for salaries and benefits | (8,819,959) | - |
| Payments to suppliers | (3,610,438) | - |
| Payments to others | (871,622) | (8,276) |
| **Net cash (used in) provided by operating activities** | (7,179,498) | (5,149) |
| Cash Flows From Noncapital Financing Activities | | |
| State appropriations | 7,910,900 | - |
| Local property taxes | 1,990,776 | - |
| **Net cash provided by noncapital financing activities** | 9,901,676 | - |
| Cash Flows From Investment Activities | | |
| Investment income | 7,974 | 2,573 |
| **Net cash provided by (used in) investment activities** | 7,974 | 2,573 |
| Cash Flows From Capital and Related Financing Activities | | |
| Cash paid for capital assets | (3,435,425) | - |
| **Net cash used by capital and related financing activities** | (3,435,425) | - |
| **Net (decrease) in cash and cash equivalents** | (705,273) | (2,576) |
| Cash and cash equivalents, beginning of year | 4,533,824 | 151,265 |
| **Cash and cash equivalents, end of year** | $ 3,828,551 | $ 148,689 |

**RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH USED BY OPERATING ACTIVITIES**

| | Primary Institution | LCC Foundation |
|---|---|---|
| Operating (loss) income | $ (10,251,662) | (264) |
| Adjustments to reconcile operating (loss) income to net cash used by operating activities | | |
| Depreciation expense | 1,204,636 | - |
| Changes in assets and libilities | | |
| Receivables | (751,891) | (4,885) |
| Inventory | 143,424 | - |
| Net pension liability | 2,311,043 | - |
| Net OPEB liability | 123,550 | - |
| Accounts payable and accrued expenses | (19,361) | - |
| Unearned revenue | 66,919 | - |
| Compensated absences | (6,156) | - |
| **Net cash (used in) provided by operating activities** | $ (7,179,498) | $ (5,149) |

The Notes to the Financial Statements are an integral part of this statement.

# NOTES TO FINANCIAL STATEMENTS

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*1. Organization*

Luna Vocational Technical Institute was established in 1967, in accordance with laws of the State of New Mexico to provide occupational training opportunities to residents of northeastern New Mexico. Over the years the Institute has grown into a comprehensive community college, and in December, 2000, the Board of Directors approved to change the name to Luna Community College (the "College"). Luna Community College offers a variety of educational opportunities and services to meet needs in the lifelong process of personal and professional development. The College's goal of providing educational and training programs that prepare students for careers in technical and vocational fields include developing basic academic skills for successful post-secondary study; preparing individuals for employment, career updating, and job advancement; associates degrees and the first two years of study for those seeking transfer to a four-year college, and comprehensive student development services which provide student support and assistance. The College receives funding primarily from state appropriations with additional funding from federal and local sources, and must comply with the spending, reporting, and recordkeeping requirements of these entities. It is not a component unit of any other governmental entity.

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.

*2. Reporting Entity*

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* and No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities,* the accompanying financial statements present the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows of Luna Community College. In evaluating how to define the government for financial reporting purposes, the College has considered all potential component units.

The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the College's operations. Each discretely presented component unit is reported in a separate column in the College's financial statements to emphasize that it is legally separate from the College.

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

*2. Reporting Entity (Continued)*

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

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 government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the College has one component unit required to be reported under GASB Statements No. 14, No. 39, No. 61, and No. 80 as there is one discretely presented component unit, the Luna Community College Foundation, Inc. This component unit does not have separately issued financial statements and should be reported as a discretely presented component unit under GAAP. However, the College has not included the financial information of the component unit due to not having accounting records and the underlying source documents and financial data available for fiscal year 2018. The effect of this GAAP departure has not been determined. The College does not have any other related organizations, joint ventures, or jointly governed organizations.

*3. Financial Statement Presentation*

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

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

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

*4. Basis of Accounting*

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated.

*5. Management's Estimates and Assumptions*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates. The more significant estimates included in the financial statements include allowances for uncollectible student accounts receivable, net pension liability and related deferred inflows and outflows, and the estimated useful lives and depreciation of capital assets.

*6. Cash and Cash Equivalents and Statement of Cash Flows*

For purposes of the statement of cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Immediate cash needs are met with resources deposited at the College's bank. Cash and cash equivalents include cash on hand and cash in banks, including savings and money market accounts with an original maturity of 3 months or less.

At June 30, 2018, the amount of cash and cash equivalents reported on the financial statements differs from the amount on deposit with the various financial institutions because of transactions in transit and outstanding checks.

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

*7. Receivables*

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

*8. Unearned Revenues*

Unearned revenue relates to state grants awarded and received during the current fiscal period for classes to be held in the following period. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property tax receivables are recognized in the period for which the taxes are levied, net of estimated refunds. All amounts are considered fully collectible.

*9. Inventory*

Inventories consist of items held for resale or exchange within the College. The bookstore inventory within the current unrestricted fund is valued at the lower of cost or market. This cost method is applied on a basis consistent with prior year.

*10. 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 per 12-6-10 NMSA 1978, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset, generally 30 years for buildings and improvements, and 5 to 12 years for vehicles and equipment (including software).

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

*11. Compensated Absences*

Accumulated unpaid vacation is accrued when incurred in the current unrestricted fund. 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).

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the statement of net position.

*12. Revenue*

*Operating revenue* includes activities that have the characteristics of an exchange transaction, such as a) student tuition and fees, net of scholarship discounts and allowances; b) sales and services; c) most federal, state, and local grants and contracts; and d) interest on institutional student loans.

*Non-operating revenue* includes activities that have the characteristics of non-exchange transactions, such as a) appropriations, b) taxes, c) gifts, and d) investment income. These revenue streams are recognized under GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*. Revenues are recognized when all applicable eligibility requirements have been met.

*13. Economic Dependency*

The College depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the College is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

*14. Net Position*

The College's net position is classified into the following net position categories:

*Net investment in capital assets*: Capital assets, net of accumulated depreciation, amortization, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

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

*14. Net Position (continued)*

*Restricted:*

*Nonexpendable:* Net position subject to externally imposed conditions that the College retain them in perpetuity. All amounts for the primary government (if applicable) that are restricted in the statement of net position are considered restricted by enabling legislation. The College did not have any restricted funds as of June 30, 2018.

*Expendable:* Net position subject to externally imposed conditions that can be fulfilled by the actions of the College or the passage of time.

*Unrestricted:* All other categories of net position. In addition, unrestricted net position may be designated for use by management of the College. This requirement limits the area of operations for which expenditures of net position may be made, and require that unrestricted net position be designated to support future operations in these areas. The College has adopted a policy of utilizing restricted – expendable funds, when available, prior to unrestricted funds.

*15. Budgetary Process*

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

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appointed in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as restricted fund balance.

To amend the budget, the College requires the following order of approval: (1) College President, (2) College Board Members, (3) Commission on Higher Education, and (4) State Department of Finance and Administration.

Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year, and are available for expenditures to the College in subsequent years pursuant to the General Appropriation Act of 2004, Section 4, J (Higher Education).

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 expenditures in instruction and general;

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

(3) total expenditures of each budget function in current funds other than instruction and general; and (4) within the plant funds budget, the items of budgetary control are major projects, equipment bonds, minor capital outlay, and renewals and replacements.

Budgets are adopted on a basis of accounting that is not in accordance with accounting principles generally accepted in the United States of America. The purpose of the Budget Comparison is to reconcile the change in net position as reported on a budgetary basis to the change in net position as reported using generally accepted accounting principles. The reporting of actuals (budgetary basis) is a non-GAAP accounting method that excludes depreciation expense and includes the cost of capital equipment purchases.

*16. Income Tax Status*

The College, as an instrumentality of the State of New Mexico, is exempt from federal income taxes under Section 115(a) 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 5019(c)(3) of the Internal Revenue Code.

*17. Property Tax Calendar*

Property Taxes attached as an enforceable lien on property as of January 1st. The taxes are levied each year on July 1 based on the assessed value of property listed on the previous January 1, and are due in two payments by November 10th and April 10th. The taxable valuations for the various classes of property are determined by San Miguel, Guadalupe, Mora, Colfax, and Union County Assessors. Property taxes uncollected after May 10th are considered delinquent.

*18. Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*19. Postemployment Benefits Other than Pensions (OPEB)*

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

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

*20. Deferred Outflows of Resources*

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time.

*21. Deferred Inflows of Resources*

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources.

## NOTE 2. CASH DEPOSITS AND INVESTMENTS

State statutes authorize the investment of College funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the College properly followed State investment requirements as of June 30, 2018.

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

All of the College’s accounts at an insured depository institution, including non-interest-bearing accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of $250,000 for all deposit accounts up to $250,000 for all time and savings accounts, plus up to $250,000 for all demand deposit accounts held at a single institution in state.

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the College’s deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2018, none of the College’s bank balances of $4,490,033 was exposed to custodial credit risk. None of the College’s deposits were uninsured and uncollateralized at June 30, 2018.

## NOTE 2. CASH DEPOSITS AND INVESTMENTS (CONTINUED)

| | | Southwest Capital Bank | Wellsf Fargo Bank | Community 1st Bank | | Total |
|---|---|---|---|---|---|---|
| Total amount of deposit | $ | 740,266 | 20,440 | 3,729,327 | $ | 4,490,033 |
| Deposit account covered by the FDIC coverage | | (250,000) | (20,440) | (250,000) | | (520,440) |
| Total uninsured public funds | | 490,266 | - | 3,479,327 | | 3,969,593 |
| Collateralized by securities held by the pledging institution or by its trust department or agent other than the Luna Community College | | 2,300,000 | - | 3,000,000 | | 5,300,000 |
| Uninsrued and uncollateralized | $ | 245,133 | - | 1,739,664 | $ | 1,984,797 |
| Collateral requirement (50% of uninsured public funds) | | 245,133 | - | 1,739,664 | | 1,984,797 |
| Pledged security | | 2,300,000 | - | 3,000,000 | | 5,300,000 |
| Over/(Under) collateralization | $ | 2,054,867 | - | 1,260,336 | $ | 3,315,203 |

The collateral pledged is listed on Schedule IV of this report

Reconciliation of Deposits to the Statement of Net Position:

| | | |
|---|---|---|
| Deposits | $ | 4,490,033 |
| Add reconciling items | | (661,482) |
| Total cash and cash equivalents and investments | $ | 3,828,551 |
| Statement of Net Position: Cash and cash equivalents | $ | 3,828,551 |

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 Balance |
|---|---|---|---|---|---|---|
| Demand Deposits | | | | | | |
| Community First Bank | $ | 250,000 | - | 136,134 | $ | 386,134 |
| Certificates of Deposit | | | | | | |
| Southwest Capital Bank | | 250,000 | - | 219,188 | | 469,188 |
| **Total** | $ | 500,000 | - | 355,322 | $ | 855,322 |

## NOTE 3. ACCOUNTS RECEIVABLE

The College's accounts receivable at June 30, 2018 represent revenues earned from student tuition and fees, loans, local tax levy, federal government grants and contracts, and State of New Mexico agencies that include pass through federal and state grants. All amounts are expected to be collected, however, an allowance for uncollectible accounts has been established for student accounts judged to be uncollectible due to the age of the receivables. A schedule of receivables and allowance for uncollectible accounts is as follows for the year ended June 30, 2018:

| | | |
|---|---|---|
| Student receivables | $ | 977,019 |
| Less allowance for uncollectible accounts | | (906,725) |
| Student receivables, net | | 70,294 |
| Property tax receivables | | 242,799 |
| Federal and state grants receivable | | 1,375,214 |
| Net total accounts receivable | $ | 1,688,307 |

## NOTE 4. CAPITAL ASSETS

The following table summarizes the changes in the College's capital assets during the fiscal year ended June 30, 2018. Land and construction in progress are not subject to depreciation expense.

| | Balance June 30, 2017 | Additions | Retirements | Removals | Balance June 30, 2018 |
|---|---|---|---|---|---|
| Capital asstes not being depreciated | | | | | |
| Land | $ 2,322,078 | - | - | - | $ 2,322,078 |
| Construction-in progress | 2,323,862 | 3,102,567 | (2,714,590) | - | 2,711,839 |
| Total capital assets not being deprectiated | $ 4,645,940 | 3,102,567 | (2,714,590) | - | $ 5,033,917 |
| Capital assets being depreciated: | | | | | |
| Buildings | $ 30,528,998 | - | - | - | $ 30,528,998 |
| Building improvements | 9,035,566 | 2,714,590 | - | - | 11,750,156 |
| Equipment and furniture | 4,862,970 | 332,858 | (1,318,793) | (1,319,885) | 2,557,150 |
| Automobiles | 891,797 | - | - | (4,750) | 887,047 |
| Total other capital assets | $ 45,319,331 | 3,047,448 | (1,318,793) | (1,324,635) | $ 45,723,351 |
| Less accumulated depreciation: | | | | | |
| Buildings | $ (19,675,003) | (687,854) | - | - | $ (20,362,857) |
| Building improvements | (3,776,738) | (240,036) | - | - | (4,016,774) |
| Equipment and furniture | (4,465,603) | (188,278) | 1,271,807 | 1,319,885 | (2,062,189) |
| Automobiles | (752,530) | (88,468) | - | 4,750 | (836,248) |
| Total accumulated depreciation | (28,669,874) | (1,204,636) | 1,271,807 | 1,324,635 | (27,278,068) |
| Other capital assets, net | $ 16,649,457 | 1,842,812 | (46,986) | - | $ 18,445,283 |
| Capital assets summary | | | | | |
| Capital assets not being depreciated | $ 4,645,940 | 3,102,567 | (2,714,590) | - | $ 5,033,917 |
| Other capital assets | 45,319,331 | 3,047,448 | (1,318,793) | (1,324,635) | 45,723,351 |
| Total cost of capital assets | 49,965,271 | 6,150,015 | (4,033,383) | - | 50,757,268 |
| Less accumulated depreciation | (28,669,874) | (1,204,636) | 1,271,807 | 1,324,635 | (27,278,068) |
| Capital assets, net | $ 21,295,397 | $ 4,945,379 | $ (2,761,576) | $ - | $ 23,479,201 |

Depreciation expense for the year totaled $1,204,636.

## NOTE 5. COMPENSATED ABSENSES

Accumulated unpaid vacation is accrued when incurred. Employees entitled to earn vacation pay earn it at various rates based on length of employment. Up to 240 hours of vacation may be accrued and paid out upon termination. Sick leave is not paid out upon termination; accordingly, no liability for sick leave is recorded by the College. The College had a liability for accrued vacation as of June 30, 2018 as follows:

| | | |
|---|---|---|
| Accrued vacation - beginning of year | $ | 234,852 |
| Additions | | 142,560 |
| Deletions | | (148,716) |
| Accrued vacation - end of year | $ | 228,696 |

The College estimates that $35,049 will be due within one year.

## NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD

### *General Information about the Pension Plan*

***Plan Description***. *T*he New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's Web site at https://www.nmerb.org/Annual_reports.html.

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

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

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

**NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)**

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

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

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

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013.

The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

- The member's age and earned service credit add up to the sum of 80 or more,
- The member is at least sixty-seven years of age and has five or more years of earned service credit, or
- The member has service credit totaling 30 years or more.

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

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

***Forms of Payment.*** The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

## NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

***Benefit Options.*** The Plan has three benefit options available.

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

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

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

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

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease.

## NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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

***Contributions.*** For the fiscal years ended June 30, 2018 and 2017 educational employers contributed to the Plan based on the following rate schedule.

| Fiscal Year | Date Range | Wage Category | Member Rate | Employe r | Combined Rate | Increase Over Prior |
|---|---|---|---|---|---|---|
| 2018 | 7-1-17 to 6-30- | Over $20K | 10.70% | 13.90% | 24.60% | 0.00% |
| 2018 | 7-1-17 to 6-30- | $20K or less | 7.90% | 13.90% | 21.80% | 0.00% |
| 2017 | 7-1-16 to 6-30- | Over $20K | 10.70% | 13.90% | 24.60% | 0.00% |
| 2017 | 7-1-16 to 6-30- | $20K or less | 7.90% | 13.90% | 21.80% | 0.00% |

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, the College paid employee and employer contributions of $762,253 and $563,701, which equal the amount of the required contributions for each fiscal year.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At June 30, 2018, the College reported a liability of $21,652,370 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined.

## NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

At June 30, 2018, the College's proportion was 0.19483%, which was a decrease of 0.0213% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the College recognized pension expense of $2,310,739. At June 30, 2018, 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 |
|---|---|---|
| Difference between expected and actual experience | $ 38,868 | $ 333,575 |
| Changes of assumptions | 6,320,752 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 2,970 |
| Changes in proportion and differences between Contributions and proportionate share of contributions | 84,783 | 1,047,705 |
| Employer's contributions subsequent to the measurement date | 762,253 | - |
| **Total** | $ 7,206,656 | $ 1,384,250 |

$762,253 reported as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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:

| | |
|---|---|
| 2019 | $ 1,929,901 |
| 2020 | 2,089,941 |
| 2021 | 1,218,602 |
| 2022 | (178,291) |
| | 5,060,153 |

STATE OF NEW MEXICO
LUNA COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

## NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

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

| | |
|---|---|
| Inflation | 2.50% |
| Salary increases | 3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service. |
| Investment rate of return | 7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return. |
| Average of Expected Remaining Service Lives | Fiscal year: 2017 / 2016 / 2015 / 2014<br>Service life in years: 3.35 / 3.77 / 3.92 / 3.88 |
| Mortality | ***Healthy males:*** Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table's base year of 2000.<br>***Healthy females:*** Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.<br>***Disabled males:*** RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.<br>***Disabled females***: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.<br>***Active members:*** RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality. |
| Retirement Age | Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014. |
| Cost-of-living increases | 1.90% per year, compounded annually. |
| Payroll growth | 3.00% per year (with no allowance for membership growth). |
| Contribution accumulation | The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future. |
| Disability incidence | Approved rates are applied to eligible members with at least 10 years of service. |

## NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

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

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

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

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

***Discount rate.*** A single discount rate of 5.9% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.56%, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Additionally, contributions received through Alternative Retirement Plan (ARP) 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.

## NOTE 6. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

***Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate***. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 5.90 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.90 percent) or 1-percentage-point higher (6.90 percent) than the current rate:

| | 1% Decrease (4.90%) | Current Discount Rate (5.90%) | 1% Increase (6.90%) |
|---|---|---|---|
| Luna Community College's proportionate share of the net pension liability | $ 28,186,001 | $ 21,652,370 | $ 16,311,658 |

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

***Payables to the pension plan.*** At June 30, 2018, the College reported a payable of $53,626 for outstanding contributions due to ERB.

## NOTE 7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

### *General Information about the OPEB*

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

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

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

## NOTE 7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

***Employees covered by benefit terms.*** At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Plan membership | |
| Current retirees and surviving spouses | 51,208 |
| Inactive and eligible for deferred benefit | 11,478 |
| Current active members | 97,349 |
| | 160,035 |
| Active membership | |
| State general | 19,593 |
| State police and corrections | 1,886 |
| Municipal general | 21,004 |
| Municipal police | 3,820 |
| Municipal FIRE | 2,290 |
| Educational Retirement Board | 48,756 |
| | 97,349 |

***Contributions.*** Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the College were $109,676 for the year ended June 30, 2018.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.*** At June 30, 2018, the College reported a liability of $5,866,251 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the College's proportion was 0.12945 percent.

For the year ended June 30, 2018, the College recognized OPEB expense of $123,547. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows Of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ - | $ 225,116 |
| Changes of assumptions | - | 1,025,639 |
| Differences between actual and projected earnings on OPEB plan investments | - | 84,390 |
| Employer's contributions made subsequent to the measurement date | 109,676 | - |
| **Total** | $ 109,676 | $ 1,335,145 |

**NOTE 7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

Deferred outflows of resources totaling $109,676 represent College contributions made subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

| | | |
|---|---|---|
| Year ended June 30: | | |
| 2019 | $ | (283,861) |
| 2020 | | (283,861) |
| 2021 | | (283,861) |
| 2022 | | (283,861) |
| 2023 | | (199,701) |
| | | (1,335,145) |

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

| | |
|---|---|
| Valuation Date | June 30, 2017 |
| Actuarial cost method | Entry age normal, level percent of pay, calculated on individual employee basis |
| Asset valuation method | Market value of assets |
| Actuarial assumptions: | |
| Inflation | 2.50% for ERB; 2.25% for PERA |
| Projected payroll increases | 3.50% |
| Investment rate of return | 7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation |
| Health care cost trend rate | 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs |

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

## NOTE 7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

| Asset Class | Long-Term Rate of Return |
|---|---|
| U.S. core fixed income | 4.1% |
| U.S. equity - large cap | 9.1 |
| Non U.S. - emerging markets | 12.2 |
| Non U.S. - developed equities | 9.8 |
| Private equity | 13.8 |
| Credit and structured finance | 7.3 |
| Real estate | 6.9 |
| Absolute return | 6.1 |
| U.S. equity - small/mid cap | 9.1 |

***Discount Rate.*** The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

***Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.*** The following presents the net OPEB liability of the College, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

| | 1% Decrease (2.81%) | Current Discount Rate (3.81%) | 1% Increase (4.81%) |
|---|---|---|---|
| Luna Community College's proportionate share of the net OPEB liability | $ 7,115,671 | $ 5,866,251 | $ 4,885,968 |

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

**NOTE 7. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

| | 1% Decrease | Current Trend Rates | 1% Increase |
|---|---|---|---|
| Luna Community College's proportionate share of the net OPEB liability | $ 4,989,650 | $ 5,866,251 | $ 6,549,782 |

***OPEB plan fiduciary net position.*** Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

***Payable Changes in the Net OPEB Liability.*** At June 30, 2018, the College did not report any outstanding contributions due to NMRHCA.

## NOTE 8. GROUP INSURANCE

The College participates in the State of New Mexico Public Schools Insurance Authority group health insurance plan. The Authority's two primary insurance underwriters are Blue Cross/Blue Shield of New Mexico and Presbyterian. The plan covers all full-time employees of the College who choose to participate in the plan. The College pays premiums under the plan and employees contribute based on percentage splits established by 10-7-4 NMSA 1978 for public employees.

## NOTE 9. RISK MANAGEMENT

The College currently is party to various litigation and other claims in the ordinary course of business. The College has property, liability, and workers compensation insurance coverage with New Mexico Public Schools Insurance Company. The College believes that the outcome of all pending and threatened litigation will not have a material adverse effect on the financial position or operations of the College. Federal grants received by the College are subject to audit by the grantors. In the event of noncompliance with funding requirements, grants may be required to be refunded to the grantor. College management estimates that such refunds, if any, will not be significant.

## NOTE 10. COMMITMENTS AND CONTINGENCIES

The College is liable or contingently liable in connection with certain claims, which arise in the normal course of business. It is the opinion of College management that uninsured losses resulting from these claims would not be material to the College's financial position. Federal grants received by the College are subject to audit by the grantors. In the event of noncompliance with funding requirements, grants may be required to be refunded to the grantor. College management estimates that such refunds, if any, will not be significant.

There were no commitments or obligations outstanding as of June 30, 2018.

## NOTE 11. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure of certain information concerning individual funds including:

A. Deficit equity

The College does not maintain a deficit equity position.

B. Excess of expenditures over appropriations.

The College is not aware of any expenses in excess of budgetary authority

C. Designated cash appropriation in excess of available balances.

The College is not aware of any designated cash appropriations in excess of available balances.

## NOTE 12. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2018, have been evaluated for possible adjustment to the financial statements or disclosures is October 26, 2018. No other events occurring after June 30, 2018 necessitate adjustment to the financial statements or disclosure in the notes.

## NOTE 13. PRIOR PERIOD ADJUSTMENTS

**Implementation of New Accounting Standards**

As a result of implementing GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* the College has restated the net position in the government-wide Statement of Net Position for the year ended June 30, 2017, as follows:

| | | |
|---|---|---|
| Net position as previously reported at June 30, 2017 | $ | 12,503,219 |
| Prior period adjustment-Implementation of GASB 75: | | |
| Net pension liability (measurement date as of June 30, 2016) | | (7,079,316) |
| Deferred outflows - College contributions made during fiscal year 2017 | | 111,146 |
| Total prior period adjustment | | (6,968,170) |
| Net position as restated June 30, 2017 | $ | 5,535,049 |

## NOTE 14. SUBSEQUENT PRONOUNCEMENTS

In August 2018, the GASB issued Statement No. 90, Majority Interests in an amendment of GASB Statements No. 14 and No. 6. The requirements of this statement are effective for periods beginning after December 15, 2018. Earlier application is encouraged. This statement is not applicable to the College.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This statement is not applicable to the College.

In March 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. This standard will be implemented in a subsequent period.

In June 2017, the GASB issued Statement No. 87, Leases. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This standard will be implemented in a subsequent period.

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not applicable to the College.

In March 2017, the GASB issued Statement No. 85, Omnibus 2017. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. The College has implemented this standard accordingly in the current year.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. This standard will be implemented in a subsequent period.

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This statement is not applicable to the College.

## NOTE 15. MULTI YEAR PRESENTATION OF FOUNDATION FINANCIALS

In 2017, the Luna Foundation was issued an adverse opinion and thus the prior year report did not include the component unit financial information. For the year ending June 30, 2018, the books and records of the Foundation were provided for both 2018 and 2017. The audited 2017 financial statements are included in this report and presented as supplementary information.

# SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**
**SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**
**June 30, 2018**

New Mexico Educational Retirement Board Pension Plan
Schedule of Ten Year Tracking Data to last 10 Fiscal Years*

| **Fiscal year** | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **Measurement date** | 2017 | 2016 | 2015 | 2014 |
| College's proportion of the net pension liability (assets) | 0.19483 % | 0.21608 % | 0.21326 % | 0.21465 % |
| College's proportionate share of net pension liability (assets) | $ 21,652,370 | $ 15,550,054 | $ 13,813,418 | $ 12,247,342 |
| College's covered employee payroll | $ 5,550,668 | $ 5,882,681 | $ 5,916,574 | $ 5,597,338 |
| College's proportionate share of net pension liability (assets) as a percentage of its covered employee payroll | 390.09 % | 264.34 % | 233.47 % | 218.81 % |
| Plan fiduciary net position as a percentage of the total pension liability | 52.95 % | 61.58 % | 63.97 % | 66.54 % |

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

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**
**SCHEDULE OF THE COLLEGE CONTRIBUTIONS -**
**NET PENSION**
**June 30, 2018**

New Mexico Educational Retirement Board Pension Plan
Schedule of Ten Year Tracking Data to last 10 Fiscal Years*

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Statutory Required Contribution | $ 762,253 | $ 771,543 | $ 842,639 | $ 778,030 |
| Contributions in Relation to the Statutorily Required Contribution | 762,253 | 771,543 | 842,639 | 778,030 |
| Contribution Deficiency (Excess) | - | - | - | - |
| College's Covered Payroll | $ 5,483,835 | $ 5,550,668 | $ 5,882,681 | $ 5,916,574 |
| Contributions as a percentage of Covered Payroll | 13.90 % | 13.90 % | 14.32 % | 13.15 % |

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

***Changes in Pension benefit provisions***. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

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

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**
**SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE OPEB LIABILITY**
**June 30, 2018**

New Mexico Retiree Health Care Authority OPEB Plan
Last 10 Fiscal Years*

| | | |
|---|---|---|
| **Fiscal year** | | 2018 |
| **Measurement date** | | 2017 |
| College's proportion of the net OPEB liability (assets) | | 0.12945 % |
| College's proportionate share of net OPEB liability (assets) | $ | 5,866,251 |
| College's covered employee payroll | $ | 5,550,668 |
| College's proportionate share of net OPEB liability (assets) as a percentage of its covered employee payroll | | 105.69 % |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 11.34 % |

* Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the College is not available prior to fiscal year 2018, the year the statement's requirements became effective.

*See Notes to Required Supplementary Information*

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**
**SCHEDULE OF THE COLLEGE CONTRIBUTIONS - OPEB**
**June 30, 2018**

New Mexico Retiree Health Care Authority OPEB Plan
Last 10 Fiscal Years* (Continued)

| | | 2018 |
|---|---|---|
| Statutory Required Contribution | $ | 109,676 |
| Contributions in Relation to the Statutorily Required Contribution | | 109,676 |
| Contribution Deficiency (Excess) | | - |
| College's Covered Payroll | $ | 5,483,835 |
| Contributions as a percentage of Covered Payroll | | 2.00 % |

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

*See Notes to Required Supplementary Information*

***Changes in OPEB benefit provisions*.** There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

***Changes in OPEB assumptions and methods*.** The PERA salary scale, inflation and payroll assumptions were updated to reflect assumptions used in the PERA June 30, 2016 pension valuation. The ERB salary scale, inflation and payroll assumptions were updated to reflect changes used in the ERB June 30, 2016 experience study pension valuation. Per capita costs were updated. Future trend for health costs were updated. Medical election assumptions were updated.

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**
**COMBINED REVENUES AND EXPENDITURES BUDGET COMPARISONS - UNRESTRICTED AND RESTRICTED - ALL OPERATIONS**
**For the Year Ended June 30, 2018**

| | Original Budget | Final Budget | Actual | Actual Over (Under) Budget |
|---|---|---|---|---|
| Beginning Fund Balance | $ 2,188,447 | 4,714,490 | 4,714,490 | $ - |
| Revenues: | | | | |
| State general fund appropriations | 7,910,900 | 7,910,900 | 7,910,900 | - |
| Federal revenue sources | 4,429,660 | 2,678,633 | 2,051,897 | (626,736) |
| Tuition and fees | 979,945 | 979,945 | 820,166 | (159,779) |
| Endowment, land and permanent fund | | | | - |
| Private gifts, grants and contracts | 6,199,699 | 7,639,294 | 6,157,671 | (1,481,623) |
| Other | 17,000 | 41,038 | 74,470 | 33,432 |
| Total revenues | 19,537,204 | 19,249,810 | 17,015,104 | (2,234,706) |
| Expenditures: | | | | |
| Instruction | 4,416,574 | 4,314,584 | 3,628,224 | (686,360) |
| Academic support | 1,104,267 | 874,639 | 821,566 | (53,073) |
| Student services | 1,707,655 | 1,850,151 | 1,662,752 | (187,399) |
| Institutional support | 2,275,824 | 2,380,478 | 2,059,849 | (320,629) |
| Operation and maintenance of plant | 1,972,038 | 2,017,038 | 1,954,849 | (62,189) |
| Subtotal Instruction and general | 11,476,358 | 11,436,890 | 10,127,240 | (1,309,650) |
| Student social and cultural | 23,645 | 23,645 | 20,689 | 2,956 |
| Research | | | | - |
| Public service | 447,195 | 530,436 | 378,199 | (152,237) |
| Student aid | 5,135,042 | 2,894,597 | 1,893,434 | (1,001,163) |
| Auxiliary enterprises | 520,000 | 571,937 | 531,883 | (40,054) |
| Intercollegiate athletics | 553,592 | 611,756 | 556,781 | (54,975) |
| Capital outlay | 2,200,000 | 4,468,590 | 3,249,608 | (1,218,982) |
| Renewal and replacements | 269,884 | 457,499 | 384,745 | (72,754) |
| Retirement of indebtedness | - | - | | - |
| Total expenditures | 20,625,716 | 20,995,350 | 17,142,579 | (2,537,209) |
| Net Transfers to (from) | - | - | - | - |
| Change in net assets (budgetary basis) | (1,088,512) | (1,745,540) | (127,475) | 302,503 |
| Ending fund balance | $ 1,099,935 | $ 2,968,950 | $ 4,587,015 | $ 302,503 |

Reconciliation of Change in Fund Balance (Budgetary Basis) to Change in Net Position (GAAP Basis)

| | |
|---|---|
| Change in fund balance (budgetary basis) | $ (127,475) |
| Adjustments: | |
| Depreciation expense | (1,204,636) |
| Increase in capital assets | 2,183,804 |
| Increase in deferred outflows | 5,094,347 |
| Increase in compensated absences | 6,156 |
| Decrease in deferred inflows | (2,528,543) |
| Increase in net pension liability | (11,968,567) |
| Net in other accounts | 8,178,439 |
| Financial statements change in net position reconciled to budgetary basis | $ (366,475) |

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**
**UNRESTRICTED CURRENT FUNDS -**
**SUMMARY OF INSTRUCTION AND GENERAL REVENUES**
**AND EXPENDITURES BUDGET COMPARISONS**
**Year Ended June 30, 2018**

| | Original Budget | Final Budget | Actual | Actual Over (Under) Budget |
|---|---|---|---|---|
| Beginning Fund Balance | $ 1,989,715 | 4,167,556 | 4,167,556 | $ - |
| Revenues: | | | | |
| Tuition and fees | 956,300 | 956,300 | 782,993 | (173,307) |
| Government appropriations - federal | | | | - |
| Government appropriations - state | 7,528,500 | 7,528,500 | 7,528,508 | 8 |
| Government appropriations - local | 1,600,000 | 1,600,000 | 1,965,355 | 365,355 |
| Grants and contracts - federal | - | - | - | - |
| Grants and contracts - state | - | - | - | - |
| Grants and contracts - local | - | - | - | - |
| Gifts, grants and contracts - private | - | 8,500 | 10,956 | 2,456 |
| Endowments, land and permanent fund | - | - | - | - |
| Sales and service | - | - | - | - |
| Other sources | 17,000 | 17,000 | 34,530 | 17,530 |
| Total revenues | 10,101,800 | 10,110,300 | 10,322,342 | 212,042 |
| Expenditures: | | | | |
| Instruction | 4,171,734 | 4,070,470 | 3,438,488 | (631,982) |
| Academic support | 551,183 | 558,383 | 516,877 | (41,506) |
| Student services | 1,707,655 | 1,850,151 | 1,662,752 | (187,399) |
| Institutional support | 2,275,824 | 2,380,478 | 2,059,850 | (320,628) |
| Operation and maintenance of plant | 1,972,038 | 2,017,038 | 1,954,847 | (62,191) |
| Total expenditures | 10,678,434 | 10,876,520 | 9,632,814 | (1,243,706) |
| Net Transfers to (from) | 479,728 | 690,025 | 598,605 | (91,420) |
| Change in net assets - budgetary basis | (1,056,362) | (1,456,245) | 90,923 | 1,547,168 |
| Ending fund balance | $ 933,353 | $ 2,711,311 | $ 4,258,479 | $ 1,547,168 |

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**
**RESTRICTED CURRENT FUNDS -**
**SUMMARY OF INSTRUCTION AND GENERAL REVENUES**
**AND EXPENDITURES BUDGET COMPARISONS**
**Year Ended June 30, 2018**

| | Original Budget | Final Budget | Actual | Actual Over (Under) Budget |
|---|---|---|---|---|
| Revenues: | | | | |
| Tuition and fees | $ - | - | - | $ - |
| Government appropriations - federal | - | - | - | - |
| Government appropriations - state | - | - | - | - |
| Government appropriations - local | - | - | - | - |
| Grants and contracts - federal | 711,898 | 436,935 | 368,336 | (68,599) |
| Grants and contracts - state | 86,026 | 99,397 | 84,283 | (15,114) |
| Grants and contracts - local | - | - | - | - |
| Gifts, grants and contracts - private | - | - | - | - |
| Endowments, land and permanent fund | - | - | - | - |
| Sales and service | - | - | - | - |
| Other sources | - | 24,038 | 41,807 | 17,769 |
| | 797,924 | 560,370 | 494,426 | (65,944) |
| Cash balance budgeted | - | - | - | - |
| Total revenues and cash balance budgeted | 797,924 | 560,370 | 494,426 | (65,944) |
| Expenditures: | | | | |
| Instruction | 244,840 | 244,114 | 189,735 | (54,379) |
| Academic support | 553,084 | 316,256 | 304,691 | (11,565) |
| Student services | - | - | - | - |
| Institutional support | - | - | - | - |
| Operation and maintenance of plant | - | - | - | - |
| Student aid | - | - | - | - |
| Total expenditures | 797,924 | 560,370 | 494,426 | (65,944) |
| Net Transfers to (from) | - | - | - | - |
| Change in net assets - budgetary basis | $ - | $ - | $ - | $ - |

# STATE OF NEW MEXICO
# LUNA COMMUNITY COLLEGE
# SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS
# Year Ended June 30, 2018

**College:**

| Account | Type | Southwest Capital Bank | Wells Fargo Bank | First Community Bank | Total |
|---|---|---|---|---|---|
| Santa Rosa account | Checking | $ - | 10,583 | - | $ 10,583 |
| Springer account | Checking | - | 9,857 | - | 9,857 |
| General disbursement | Checking | 740,266 | - | - | 740,266 |
| General disbursement | Checking | - | | 3,112,407 | 3,112,407 |
| Payroll account | Checking | - | - | 547,044 | 547,044 |
| Student Activity | Checking | - | - | 69,875 | 69,875 |
| Amount on deposit | | 740,266 | 20,440 | 3,729,326 | 4,490,033 |
| Outstanding items | | | | (661,481) | (661,481) |
| | | $ 740,266 | 20,440 | 3,067,845 | $ 3,828,551 |
| | | | | Petty Cash | - |
| | | | | | 3,828,551 |
| | | | | Reconciliation to the Financial Statements: | |
| | | | | Cash and cash equivalents | 3,828,551 |
| | | | | Total deposits and investments | $ 3,828,551 |

**Foundation:**

| Account | Type | Southwest Capital Bank | First Community Bank | Total |
|---|---|---|---|---|
| 7505701 | Checking | $ 4,525 | - | $ 4,525.00 |
| 7505728 | Checking | 5,066 | - | 5,066 |
| 16711 | Investment | 106,414 | - | 106,414 |
| 1621761 | Investment | 58,505 | - | 58,505 |
| 1622343/1622862 | Investment | 56,927 | - | 56,927 |
| 1622859 | Investment | 167,252 | - | 167,252 |
| 1622054 | Investment | 70,500 | - | 70,500 |
| CFB Operating | Checking | - | 671 | 671 |
| CFB Golf | Checking | - | 43 | 43 |
| CFB Sam Pat Chavez | Checking | - | 604 | 604 |
| CFB Helen O'Brien | Checking | - | 137,780 | 137,780 |
| 15890 | Investment | - | 127,023 | 127,023 |
| 15804 | Investment | - | 120,015 | 120,015 |
| | **Total deposits and investments** | $ 469,189 | 386,136 | $ 855,325 |

# LUNA COMMUNITY COLLEGE
# STATE OF NEW MEXICO
# SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
# Year Ended June 30, 2018

| | **Pledge Collateral** | | Southwest Capital Bank Las Vegas, NM | Wells Fargo Albuquerque, NM | Community 1st Bank Las Vegas, NM | Total |
|---|---|---|---|---|---|---|
| | Safekeeping Location | Type of Security | | | | |
| Funds on Deposits | | | $ 740,266 | 20,440 | 3,067,845 | $ 3,828,551 |
| Demand Deposits | | | | | | |
| FDIC Insurance | | | | | | |
| Demand Deposits | | | (250,000) | (250,000) | (250,000) | (750,000) |
| Total Uninsured Public Funds | | | $ 490,266 | - | 2,817,845 | 3,308,111 |
| Collateral | | | 50% | 50% | 50% | |
| Requirement per section | | | | | | |
| 6-10-17 NMSA | | | 245,133 | - | 1,408,923 | 1,654,056 |
| Pledge Collateral | | | | | | |
| | Federal Home Loan Bank | FHLB FIXED RATE NOTE | | | | |
| | | CUSIP #3130A1XJ2 | | | 3,000,000 | 3,000,000 |
| | Federal Home Loan Bank | FHLB Letter of Credit | | | | |
| | | LOC 4305000004 | 2,300,000 | | | 2,300,000 |
| | | | 2,300,000 | - | 3,000,000 | 5,300,000 |
| Deficiency / (Excess) of Pledge Collateral | | | | | | |
| over the required amount | | | $ (2,054,867) | - | (1,591,078) | $ (3,645,944) |

# STATE OF NEW MEXICO
# LUNA COMMUNITY COLLEGE
# FOUNDATION - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
# Year Ended June 30, 2017

| | LLC Foundation |
|---|---|
| **ASSETS** | |
| Current Assets | |
| Cash | $ 151,265 |
| Student accounts receivable | |
| (net of an allowance of $906,725) | - |
| Property tax receivable | - |
| Grant receivable | - |
| Other receivable | 12,095 |
| Investments | 695,793 |
| Inventory | - |
| **Total current assets** | 859,153 |
| | |
| Noncurrent Assets | |
| Capital assets, net of accumulated depreciation | - |
| **Total noncurrent assets** | - |
| | |
| Deferred outflows | |
| Deferred outflows - employer contributions subsequent to the measurement date | - |
| Deferred outflows - changes of assumptions | - |
| Deferred outflows - differences between expected and actual experience | - |
| Deferred outflows - net difference between projected and actual earnings on pension plan investments | - |
| Deferred outflows - change in proportion and differences between contributions and proportionate share of contributions | - |
| **Total deferred outflows** | - |
| | |
| **Total assets and deferred outflows of resources** | $ 859,153 |
| | |
| **LIABILITIES** | |
| Current Liabilities | |
| Accounts payable | $ - |
| Accrued liabilities | - |
| Unearned revenue | - |
| Accrued compensated absences | - |
| **Total current liabilities** | - |
| | |
| Noncurrent Liabilities | |
| Accrued compensated absences | - |
| Net pension liability | - |
| **Total non-current liabilities** | - |
| | |
| Deferred inflows | |
| Deferred inflows - differences between expected and actual experience | - |
| Deferred inflows - change in proportion and differences between contributions and proportionate share of contributions | - |
| **Total deferred outflows** | - |
| | |
| **Total liabilities and deferred inflows of resources** | - |
| | |
| **NET POSITION** | |
| Net investment in capital assets | - |
| Unrestricted | 859,153 |
| **Total net position** | 859,153 |
| | |
| **Total net position, liabilities and deferred inflows of resources** | $ 859,153 |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**
**FOUNDATION - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**Year Ended June 30, 2017**

| | LCC Foundation |
|---|---|
| **OPERATING REVENUES** | |
| Tuition and fees | $ - |
| Tuition discounts and allowances | - |
| Other | 47,053 |
| **Total operating revenues** | 47,053 |
| **EXPENSES** | |
| Instruction and general | |
| Institutional support | 48,906 |
| Total instruction and general | 48,906 |
| Student aid grants and stipends | 15,720 |
| **Total operating expenses** | 64,626 |
| Operating loss | $ (17,573) |
| Non operating revenues | |
| Interest and investment income | $ 13,497 |
| **Net non-operating revenues** | 13,497 |
| Change in net position | (4,076) |
| Net Position - beginning of year | 863,229 |
| **Net Position, end of year** | $ 859,153 |

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**
**FOUNDATION - STATEMENT OF CASH FLOWS**
**June 30, 2017**

| | LCC Foundation |
|---|---|
| Cash Flows From Operating Activities | |
| Grants and contracts | $ (15,720) |
| Other operating receipts | 47,053 |
| Payments to others | (52,269) |
| **Net cash (used in) provided by operating activities** | (20,936) |
| | |
| **Net cash provided by noncapital financing activities** | - |
| | |
| Cash Flows From Investment Activities | |
| Investment income | 12,780 |
| **Net cash provided by (used in) investment activities** | 12,780 |
| | |
| **Net cash used by capital and related financing activities** | - |
| | |
| **Net (decrease) in cash and cash equivalents** | (8,156) |
| | |
| Cash and cash equivalents, beginning of year | 159,421 |
| | |
| Restricted cash, end of year | |
| **Cash and cash equivalents, end of year** | $ 151,265 |

**RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH USED BY OPERATING ACTIVITIES**

| | |
|---|---|
| Operating (loss) income | (17,573) |
| Adjustments to reconcile operating (loss) income to net cash used by operating activities | |
| Changes in assets and libilities | |
| Receivables | (2,882) |
| Payables | (481) |
| | |
| **Net cash (used in) provided by operating activities** | $ (20,936) |

The Notes to the Financial Statements are an integral part of this statement.

# STATE OF NEW MEXICO
# LUNA COMMUNITY COLLEGE
# SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS
# Year Ended June 30, 2018

| Federal Grantor/Program Title | CFDA# | Award/Sub Award # | Subrecipient Expenditures | Expenditures |
|---|---|---|---|---|
| **US Department of Education** | | | | |
| Direct Programs: | | | | |
| Student financial assistance cluster:* | | | | |
| Fed College Work-Study 16-17 | 84.033 | 16-17 | $ - | $ 570 |
| Fed College Work-Study 17-18 | 84.033 | 17-18 | - | 28,250 |
| PELL Grant 16-17 | 84.063 | 16-17 | - | 6,206 |
| PELL Grant 17-18 | 84.063 | 17-18 | - | 1,318,411 |
| SEOG 16-17 | 84.007 | 16-17 | - | 425 |
| SEOG 17-18 | 84.007 | 17-18 | - | 50,550 |
| Direct Loans Subsidized 16-17 | 84.268 | 16-17 | - | 495 |
| Direct Loans Subsidized 17-18 | 84.268 | 17-18 | - | 110,984 |
| Direct Loans Un-Subsidized 16-17 | 84.268 | 16-17 | - | 599 |
| Direct Loans Un-Subsidized 17-18 | 84.268 | 17-18 | - | 76,481 |
| | | | - | 1,592,971 |
| Higher Education Institutional Aid - Title V | 84.031S | P031S120116 16-17 | - | 244,650 |
| Higher Education Institutional Aid - Title V | 84.031S | P031S120117 17-18 | - | 60,039 |
| | | | - | 304,689 |
| Passed through State of New Mexico | | | | |
| Doctoral Dissertation Rsch Abrd (Adult Basic Edu) | 84.022 | 689888 (17-18) | - | 52,106 |
| Total US department of Education | | | - | 1,949,766 |
| **US Small Business Administration** | | | | |
| Passed through New Mexico Samll Buseness Development Center: | | | | |
| Small Business Development Center | 59.037 | 17-18 | - | 21,906 |
| | | | - | 21,906 |
| **United States Treasury** | | | | |
| Americorps State and National | 94.006 | 17-18 | - | 3,600 |
| | | | - | 3,600 |
| **US Department of Health and Human Services** | | | | |
| AHEC-POSME | 93.107 | Subaward#3RF40 | - | 28,821 |
| AHEC-POSME | 93.107 | Subaward#3RF40 | - | 43,638 |
| Total US Department of Health | | | - | 72,459 |
| **National Science Foundation** | | | | |
| Passed through New Nexico Tech | | | | |
| STEM Grant Transfer (STeP)1617/1718 | 47.076 | DUE-1161334 NMIMT#STEM10-710412 | - | 1,854 |
| STEM Grant Transfer (STeP)1617/1718 | 47.076 | DUE-1161334 NMIMT#STEM10-710412 | - | 9,687 |
| Passed through New Nexico State University | | | | |
| NM Alliance for Minortiy Participation | 47.076 | 16-17 Q01615 | - | 500 |
| Total National Science Foundation | | | - | 12,041 |
| **Total Expenditures of Federal Awards** | | | $ - | $ 2,059,772 |

* Denotes major program

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**
**NOTES TO THE SCHEDULE OF EXPENDITURES**
**OF FEDERAL AWARDS**
**June 30, 2018**

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Presentation.* The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes all federal assistance to the College that had activity during 2018 or accrued revenue at June 30, 2018. This schedule has been prepared on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenues are recorded for financial reporting purposes when the College has met the qualifications for the respective program.

## NOTE 2. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

## NOTE 3. INDIRECT COST RATE

The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## NOTE 4. FEDERAL LOAN PROGRAM

The College administers the Federal Direct Loan Program (CDFA 84.268). During the fiscal year ended June 30, 2018, the College processed $187,465 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 5. 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 outstanding at year-end.

# OTHER REPORTS

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Service plus value, it all adds up.

**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***

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees
Luna Community College
and
Mr. Wayne Johnson
New Mexico State Auditor

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the respective budgetary comparisons of the State of New Mexico, Luna Community College (College) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 26, 2018.

**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. We considered the deficiency described in the accompanying schedules of findings and questioned costs as CU 2016-001 to be a material weakness.

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. Given these limitations, during our audit we did identify one deficiency in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters which are required to be reported under *Government Auditing Standards*. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a compliance and other matters deficiency.

**Management's Response to Findings**

Management's response to the findings identified in our audit is described in the accompanying schedule of Findings and Questioned Costs. Management's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*Ricci & Company LLC*

Albuquerque, New Mexico
October 26, 2018

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Service plus value, it all adds up.

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees
Luna Community College
and
Mr. Wayne Johnson
New Mexico State Auditor

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

We have audited Luna Community College's (College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2018. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal status, regulations, and the terms and conditions of its federal awards to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University'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 material effect on each of its major federal programs for the year ended June 30, 2018.

**Report on Internal Control Over Compliance**

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

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

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

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

*Ricci & Company, LLC*
Albuquerque, New Mexico
October 26, 2018

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**June 30, 2018**

**A. SUMMARY OF AUDITOR'S REPORT**

**Financial Statements**

| | |
|---|---|
| Type of Auditor's report issued: | Unmodified |
| Internal Controls Over Financial Reporting:<br>Material Weakness reported? | Yes |
| Significant Deficiencies reported not<br>Considered to be material weaknesses? | Yes |
| Noncompliance material to financials statements noted? | No |

**Federal Awards**

Internal control over major programs:

| | |
|---|---|
| a. Material weakness reported? | No |
| b. Significant deficiencies reported not considered to be material weaknesses? | No |
| c. Know questioned costs greater than $25,000 for compliance requirement for a major program? | No |
| d. Known questioned costs greater than $25,000 for which is not audited as a major program? | No |
| e. Known or likely fraud? | No |
| f. Significant instances of abuse relating to major programs? | No |
| g. Circumstances causing the auditor's report on compliance for each major program to be modified, unless otherwise reported as audit findings? | No |
| h. Instances where results of audit follow up procedures disclosed that the summary schedule of prior year audit findings prepared by the auditee materially misrepresents the status of any prior audit findings? | No |

| | |
|---|---|
| Type of auditor's report issued on<br>compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported<br>in accordance with Uniform Guidance? | No |

Identification of major programs:

| CFDA Number | Name of federal Program or Cluster |
|---|---|
| Various | Student financial Assistance Center |

| | |
|---|---|
| Dollar threshold used to distinguish<br>between type A and type B programs: | $750,000 |
| Auditee qualified as low risk auditee? | No |

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**Year Ended June 30, 2018**

**FINANCIAL STATEMENT FINDINGS**

**2018-001 Controls over Fixed Assets (Significant Deficiency)**

CONDITION
Depreciation expense was booked improperly resulting in a variance between depreciation expense per the trial balance and the supporting documentation.

CRITERIA
Amounts recorded in the financial statements should agree to subsidiary ledgers and such ledgers should be complete and accurate. Financial statement disclosures should agree to underlying data.

EFFECT
The College's trial balance did not accurately reflect Fixed Asset balances resulting in various audit adjustments.

CAUSE
Fixed asset entries are not being reviewed, therefor any errors when posting adjustments to fixed assets may go undetected.

RECOMENDATION
The College should continue their progress in cleaning up fixed assets, and implement new policies and procedures that will incorporate segregation of duties over fixed asset processes.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The College concurs with the audit finding and intends to contract with an outside entity to conduct at least two internal audits annually to review numerous operations and specifically review year-end entries.

ESTIMATED TIMLINE TO CORRECT:
The College will have the correct actions implemented within three months, or no later than January 31, 2019.

RESPONSIBLE OFFICIALS:
CFO and President.

## FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

## FINDINGS IN ACCORDANCE WITH 2.2.2.NMAC.

None.

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – COMPONENT UNITS**
**Year Ended June 30, 2018**

## FINANCIAL STATEMENT FINDINGS

### CU 2016-001 Internal Controls over Financial Reporting and Closing (Material Weakness) (Repeated and Modified)

CONDITION
During the fiscal year the Foundation did not have an operating Board of Directors, in addition there were no protocols or controls over the Foundations accounting activity. It appears that currently there are no controls over the processes within the foundation, and no management structure to ensure proper accounting practices. The College is currently under contract with a consultant who is aiding in getting the Foundations books current, and implementing controls when the Foundation Board is reestablished and begins operations.

CRITERIA
The COSO Internal Control Integrated Framework provides guidelines for designing and implementing a system of internal controls that incorporates five necessary components of internal controls. These five components consist of the control environment, risk assessment, control activities, information and communication, and monitoring. Good accounting practices require the Foundation to implement and follow sound accounting and internal control policies and procedures. The lack of records available for management review, audit and reporting results in an inability to determine where and how Foundation funds are utilized.

EFFECT
The Foundation is not adhering to proper accounting procedures to ensure that reliable financial records can be utilized for reporting and decision making. Without adequate records, the entity cannot effectively control fiscal operations through standard budgetary and fiscal reporting processes. In addition, not maintaining adequate records also increases an entity's risk of being subject to fraud.

CAUSE
The Foundation did not design or implement a system of internal controls to maintain the integrity and reporting of their financial data and did not require that adequate records be maintained.

RECOMENDATION
The Foundation should continue its efforts the search to for complete board to meet the statutory requirements. The Board should also establish policies and procedures over their financial reporting and closing process and ensure these policies are followed, even when there is a change in Foundation management. In addition, we recommend that administrative/accounting staff be hired to mitigate the deficiency noted above.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The Foundation Board disassociated in mid-2017. Following the FY17 findings the College strategically and purposefully postponed the appointment of new board members. In cooperation with the State Auditor's Office, the College hired a firm to compile the Foundation's financials to be audited as the next step in the process. The College notes the activity for the Foundation was limited to interest earnings during the FY18 fiscal year.

**FINANCIAL STATEMENT FINDINGS**

**CU 2016-001 Internal Controls over Financial Reporting and Closing (Material Weakness) (Repeated and Modified) (Continued)**

Furthermore, upon the audit's approval and release, the College President will commence the appointment of the Foundation members that will establish appropriate policies and procedures over their financial reporting, internal controls and closing process and ensure these policies are followed, even when there is a change in Foundation management. The President will request members of the Foundation Board and the Executive Director obtain training from topic experts such the AICPA and utilize the COSO 2013 Internal Control Framework guidelines.

Currently, the College is unable to locate a formal agreement that binds the institution to the LCC Foundation the College remains uncertain about its role as is relates to financial and organizational oversight for the Foundation's activity. Foundation bylaws do not provide the College's administration with avenues for regulating fundraising efforts, overseeing financial management practices or obtaining access to financial records. At the conclusion of the 1718 Audit and a formal agreement will executed between the College and Foundation. The MOU shall articulate the following:

- An explicit purpose of the Foundation
- Policies that ensure the Foundation's compliance with local, state and federal laws that govern non-profit organizations
- Shared responsibilities for the Foundation's financial management
- Shared access to the Foundations financial records
- Shared responsibilities in establishing an annual operation budget for the Foundation
- Sound policies that govern the acceptance and management of gifts
- Sound policies that ensure adequate oversight for the Foundation's expenditures
- Sound policies that govern the scholarship application and award processes
- Consider adopting a procedure of conducting a full background check on the new Foundation Executive Director

ESTIMATED TIMLINE TO CORRECT:
The College will have the correct actions implemented within six months, or no later than April 30, 2019.

RESPONSIBLE OFFICIAL:
Foundation Board and the Foundation Executive Director with oversight from the College.

## FINANCIAL STATEMENT FINDINGS

### CU 2017-001 Annual Corporate report Not Submitted Timely (Other Noncompliance) (Repeated and Modified)

CONDITION
The Foundation has not filed their annual corporate report to the commission (Secretary of State) of New Mexico for their 2018 fiscal year. The annual corporate report cannot be filed prior to the fiscal year 2017 audit being submitted, therefore the College will file upon the release of the Fiscal year 2018 financial statements which include the fiscal year 2017 Foundation audit.

CRITERIA
According to the Nonprofit Corporation Act (Chapter 53, Article 8 NMSA 1978), each domestic and foreign nonprofit corporation authorized to conduct affairs in New Mexico shall deliver an annual report to the New Mexico Secretary of State on or before the fifteenth day of the fifth month following the end of its taxable year.

EFFECT
Failure or refusal to file this annual report can result in a penalty and a revocation of certificate of authority to conduct affairs within the state of New Mexico. According to the Secretary of State's website, the Foundation's current status is "not in good standing".

CAUSE
Due to lack of A Foundation Board, this requirement has not been met.

RECOMENDATION
In order to maintain status as a nonprofit corporation within the State of New Mexico, the 2018 corporate report must be submitted to the State and all fees and penalties must be paid.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The Foundation Board disassociated in mid-2017. Following the FY17 findings the College strategically and purposefully postponed the appointment of new board members.

Upon the audit's approval and release, the College President will commence the appointment of the Foundation members that will establish appropriate policies and procedures over their financial reporting including the filing of the annual report to the New Mexico secretary of State as required.

In addition, as the College is unable to locate a formal agreement that binds the institution to the LCC Foundation the College remains uncertain about its role as is relates to financial and organizational oversight for the Foundation's activity. Foundation bylaws do not provide the College's administration with avenues for regulating fundraising efforts, overseeing financial management practices or obtaining access to financial records. At the conclusion of the 1718 Audit

## FINANCIAL STATEMENT FINDINGS

### CU 2017-001 Annual Corporate report Not Submitted Timely (Other Noncompliance) (Repeated and Modified) (Continued)

and a formal agreement will executed between the College and Foundation. The MOU shall articulate the following:An explicit purpose of the Foundation

- Policies that ensure the Foundation's compliance with local, state and federal laws that govern non-profit organizations
- Shared responsibilities for the Foundation's financial management
- Shared access to the Foundations financial records
- Shared responsibilities in establishing an annual operation budget for the Foundation
- Sound policies that govern the acceptance and management of gifts
- Sound policies that ensure adequate oversight for the Foundation's expenditures
- Sound policies that govern the scholarship application and award processes
- Consider adopting a procedure of conducting a full background check on the new Foundation Executive Director

ESTIMATED TIMLINE TO CORRECT:
The College will have the correct actions implemented within six months, or no later than April 30, 2019.

RESPONSIBLE OFFICIAL:
Foundation Board and the Executive Director of the Foundation with oversight from the College.

| Status of Prior Year Audit Findings | Current Status |
|---|---|
| FS 2016-003 – Procurement | Resolved |
| FS 2016-004 – Fixed Asset Inventory | Resolved |
| FS 2017-001 – Internal Controls over Bank Reconciliations | Resolved |
| NM 2017-001 – Under Collateralized Pledged Collateral | Resolved |
| CU 2016-001 – Internal Controls over Financial Reporting and Closing | Repeated & Modified |
| CU 2016-002 – Scholarships | Resolved |
| CU 2017-001 – Annual Corporate Report Not Submitted Timely | Repeated & Modified |

**STATE OF NEW MEXICO**
**LUNA COMMUNITY COLLEGE**
**EXIT CONFERENCE**
**Year Ended June 30, 2018**

An exit conference was held on October 26, 2018, with the following in attendance:

**Luna Community College**

Ricky Serna, Interim President
Donna Flores-Medina, Vice-President of Finance and Administration
Evelyn Montoya, Executive Office Manager, Finance and Administration
Francina Martinez, Controller
Carolyn Chavez, Human Resources Director
Michael Montoya, Financial Aid Director
David Gutierrez, Trustee
Abelino Montoya, Trustee
Kenneth Medina, Trustee
Daniel Romer, Trustee
Mark Dominguez, Trustee
Marc Gruno, General Council
Leavitt Baca, Purchasing Specialist

**Ricci & Company LLC Personnel:**

Mark Santiago, CPA, Senior Audit Manager
Sameer Rasheed, Audit Supervisor