

Clovis Community College

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2018

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
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JUNE 30, 2018**

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**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
DIRECTORY OF OFFICIALS
JUNE 30, 2018**

BOARD OF TRUSTEES

Arnold Martinez	Chairman
Terry Martin	Secretary
Russell Muffley	Member
Raymond Mondragon	Member
Laura Leal	Member

COLLEGE OFFICIALS

Dr. Becky Rowley	President
Dr. Robin Jones	Executive Vice President
Tom Drake	Vice President for Administration and Government Relations
Norman Kia	Chief Information Officer
Heather Lovato	Director of Finance

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Clovis Community College
Clovis, New Mexico and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, discretely presented component unit and the aggregate remaining fund information of Clovis 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. We have also audited the budgetary comparisons, presented as supplementary information, as defined by the Governmental Accounting Standards Board, for the year ended June 30, 2018, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College'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.

To the Board of Trustees
Clovis Community College and
Mr. Wayne Johnson
New Mexico State Auditor

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit and the aggregate remaining fund information 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 in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparisons referred to above present fairly, in all material respects, the budgetary comparisons for the year ended June 30, 2018, in conformity with the budgetary basis of accounting prescribed by the New Mexico Administrative Code, and more fully described in the budgetary schedules, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 9 and the Schedule of the College's Proportionate Share of Net Pension Liability and the Schedule of College's Contributions on pages 35 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements and the budgetary comparisons. The accompanying Schedule of Deposit and Investment Accounts, Schedule of Pledged Collateral, Schedule of Joint Powers Agreements and Memorandums of Understanding, and Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund as required by Section 2.2.2. NMAC, and the schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administra-*

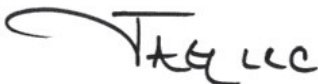
To the Board of Trustees
Clovis Community College and
Mr. Wayne Johnson
New Mexico State Auditor

tive Requirements, Cost Principles, and Audit Requirements for Federal Awards, and are not a required part of the basic financial and are not a required part of the basic financial statements.

The Schedule of Deposit and Investment Accounts, Schedule of Pledged Collateral, Schedule of Joint Powers Agreements and Memorandums of Understanding, Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund, 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 Deposit and Investment Accounts, Schedule of Pledged Collateral, Schedule of Joint Powers Agreements and Memorandums of Understanding, Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund, 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 25, 2018 on our consideration of the College’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College’s internal control over financial reporting and compliance.



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
October 25, 2018

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Clovis Community College (the College) for the year ended June 30, 2018. This discussion should be read along with the accompanying financial statements and footnotes included therein. Management has prepared the basic financial statements and related note disclosures along with this discussion and analysis. The basic financial statements, notes, and this discussion, are the responsibility of the College management. This management's discussion and analysis (MD&A) includes comparative financial information for fiscal years 2017 and 2018.

Overview of Financial Statements

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. The College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Included in the report is the Clovis Community College Foundation as a component unit for fiscal year 2018.

Using the Basic Financial Statements

The Statement of Net Position presents the assets, liabilities, and net position of the College as of the end of fiscal year 2018. It is a point-in-time financial statement, the purpose of which is to give the readers a fiscal snapshot of the financial condition of the College. The statement presents end-of-year data concerning current and non-current assets, current and non-current liabilities, and net position.

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenue, Expenses, and Changes in Net Position. The purpose of this statement is to present the revenue received by the College as well as expenses, gains, and losses received or incurred by the College.

The Statement of Cash Flows presents the inflows and outflows of cash, summarized by operating, capital, financing, and investing activities. The statement is prepared using the direct method of cash flows, presenting gross amounts for the year's activities.

Reporting Entity

This financial report presents the basic financial statements of the College and its component unit, the Clovis Community College Foundation (the Foundation). The College acts as the fiscal agent for the Foundation and is therefore considered financially accountable based on criteria set forth by the Governmental Accounting Standards Board.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

Condensed Financial Information – Summary of Net Position as of June 30:

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets	\$ 344,870	\$ 10,579,133
Other Noncurrent Assets	-	333,000
Capital Assets, net	<u>282,500</u>	<u>24,778,275</u>
Total Assets	<u>627,370</u>	<u>35,690,408</u>
Deferred Outflow of Resources	<u>-</u>	<u>2,856,464</u>
Liabilities		
Current Liabilities	155,000	2,014,527
Other Noncurrent Liabilities	-	480,000
Net Pension Liability	<u>3,025,335</u>	<u>18,533,695</u>
Total Liabilities	<u>3,180,335</u>	<u>21,028,222</u>
Deferred Inflow of Resources	<u>-</u>	<u>194,789</u>
Net Position		
Net Investment in Capital Assets	-	24,143,275
Restricted	282,500	338,481
Unrestricted (deficit)	<u>6,727</u>	<u>(7,157,895)</u>
Total Net Position	<u>\$ 289,227</u>	<u>\$ 17,323,861</u>

Current assets include cash and other assets that are deemed to be consumed or convertible to cash within one year. The most significant current asset of the College as of June 30, 2018 is the investment in the Local Government Investment Pool of \$5,202,350. Non-current assets include capital assets, net of accumulated depreciation, of \$26,293,993 and restricted investments in the Local Government Investment Pool of \$282,500.

Current liabilities are generally defined as amounts due within one year, and include accounts payable, payroll accruals, and accrued annual leave. The energy performance contract (EPC) note payable is the largest non-current liability of the College, totaling \$2,700,335. Annual debt service for the loan is \$70,307 to \$146,947 through the year 2034.

Net position may serve as a useful indicator of the College's financial position. For the College, assets exceeded liabilities (not including the effect of the pension liability) by \$13,410,106 at the close of June 30, 2018 as compared to \$17,323,861 as of June 30, 2017.

At June 30, 2018, the College's current ratio, the amount of current assets \$12,314,859 available to cover current liabilities \$2,320,280 was 5.31 to 1.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018

Condensed Financial Information – Summary of Revenues, Expenses, and Changes in Net Position for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Operating Revenues by Major Source		
Grants and Contracts	\$ 6,962,676	\$ 6,642,523
Tuition and Fees	2,157,757	1,983,755
Other	262,745	716,671
Auxiliary Services	123,889	119,770
Total Operating Revenues	<u>9,507,067</u>	<u>9,462,719</u>
Operating Expenses by Major Function		
Instruction	11,748,940	8,666,191
Student Aid	3,403,298	3,096,824
Institutional Support	2,518,308	2,552,988
Operation and Maintenance of Plant	1,816,261	1,821,533
Student Services	1,497,155	1,494,420
Depreciation	1,432,225	1,388,956
Academic Support	1,184,452	1,207,170
Public Service	1,331,500	1,451,899
Student Social & Cultural	89,929	84,755
Auxiliary Services	20,774	15,202
Other Operating Expenses	19,398	24,086
Total Operating Expenses	<u>25,062,240</u>	<u>21,804,024</u>
Non-Operating Revenues (Expenses)		
State Appropriation	9,369,156	9,496,232
Local Tax Levy	1,608,346	1,551,566
Investment Income, Net of Expenses	18,702	26,596
Loss on Disposal of Capital Assets	(31,877)	-
Interest on Capital Asset Related Debt	(17,874)	(20,875)
Total Non-Operating Revenues	<u>10,946,453</u>	<u>11,053,519</u>
Other – State Capital Appropriations	<u>694,965</u>	<u>233,758</u>
Changes in Net Position	(3,913,755)	(1,054,028)
Net position, beginning of year	<u>17,323,861</u>	<u>18,377,889</u>
Net position, end of year	<u><u>\$ 13,410,106</u></u>	<u><u>\$ 17,323,861</u></u>

Revenues in the reporting model are shown by source of funding. Operating revenues are generally defined as exchange transactions that are produced in the primary business functions of the College, including instruction, public service, and auxiliary services. Non-operating revenues are generally defined as non-exchange transactions and include state appropriations, local tax levy, gifts, and interest income. While classified as non-

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

operating revenue, state appropriations account for a vast majority of the College's revenues and provide much-needed support for the operation of the College.

Operating expenses for the College are presented in a functional format showing the major functions of the College, with expenditures for instruction and for the support of instruction representing a majority of operating expenses.

Total net position (assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources) is classified by the College's ability to use those assets to meet operating needs. Net position that is restricted as to their use by sponsoring agencies or donors are classified as non-expendable (for example, permanent endowments) or expendable (contract or grant net position). Unrestricted net position may be used to meet all operating needs of the College.

General Budgetary Highlights

During fiscal year 2018, the Board of Trustees and the New Mexico Higher Education Department approved budget adjustments to reflect final audited balances forward, and changes in additional revenue and expenditures. The change in net position (budgetary basis unrestricted – instructional and general) was \$(511,450).

Analysis of Overall Financial Position

The overall financial position of the College is stable. The College's current ratio, the amount of current assets available to cover current liabilities, is 5.31 to 1. The decrease in net position, as stated in the Statement of Revenues, Expenses and Changes in Fund Net Position, is \$3,913,755. This amount of decrease is primarily due to a State Appropriations funding and the recognition of an additional pension expense under GASB 68 in the amount of \$4,263,611.

The College is dependent upon ongoing financial and political support from state government. For FY 2018, the New Mexico Higher Education appropriations decreased. Clovis Community College's portion of this decrease was \$127,076.

Expenditures have been conservative due to unknown State of New Mexico revenue. New Mexico revenue is largely influenced by the price of crude oil and natural gas. Other factors include, but may not be limited to, the overall New Mexico economy and the significant impact from the current economic state of the Nation's economy.

Factors Impacting Future Periods

Clovis Community College experienced a 1% decrease in enrollment for FY 2018. It is anticipated there will be a slight decline in enrollment from FY 2018 to FY 2019. Most New Mexico Higher Education institutions have experienced significant decreases during this same time-period.

Of major concern is the projected revenue in the State of New Mexico and the ability of the legislature to fund the appropriation formula for institutions of higher education in the state. As a result of this, the College has been and will continue to be conservative in its fiscal management.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

Clovis Community College was placed on the first available cycle for submission of the Application for Candidacy with CAPTE which was December 1, 2014. Candidate for Accreditation is a pre-accreditation status, awarded prior to enrollment of students in the technical/professional phase of the program of entry-level physical therapist assistant education. The Commission on Accreditation in Physical Therapy Education (CAPTE) is the only accreditation agency recognized by the United States Department of Education (USDE) and the Council for Higher Education Accreditation (CHEA) to accredit entry-level physical therapist and physical therapist assistant education programs. Candidacy was denied in April of 2015. The College requested expedited reconsideration of the application in May 2015; reconsideration was granted. CAPTE visited the campus in July 2015 and granted candidacy in August 2015. The first cohort of Physical Therapy Assistant program students began with second 8-week classes in October 2015. The first cohort graduated in December 2016, with a total of nine students and six of those students passing the National Physical Therapy Exam on the first attempt. Currently 100% of program graduates seeking employment were employed within one year of graduation.

The College entered into an energy performance contract (EPC) to replace and upgrade \$2.7 million in physical plant infrastructure in order to keep facilities in good repair, in serviceable condition, able to provide environments conducive to learning and energy efficient. The lease/purchase debt to finance these projects will be repaid by the utility savings achieved through the infrastructure improvements.

Component Unit

Clovis Community College Foundation is included as a component unit and is discretely presented in the College's financial statements. The Foundation was established in 1997 to act primarily as a fundraising organization to supplement the resources that are available to the College.

Requests for Information

Questions concerning any of the financial information provided in this report or requests for additional information should be addressed to:

Adrien L. Bennings PhD, Chief Financial Officer
Clovis Community College
417 Schepps Blvd.
Clovis, New Mexico 88101
575-769-2811

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Primary Institution	Component Unit CCC Foundation
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,017,336	\$ 195,697
Restricted cash	1,414,382	-
Investments	5,202,350	2,979,012
Receivables, net	2,311,250	-
Inventories	24,671	-
Prepaid expenses and deferred charges	344,870	-
Total current assets	12,314,859	3,174,709
Non-current Assets		
Restricted investments	282,500	-
Capital assets, net	26,293,993	37,000
Total non-current assets	26,576,493	37,000
Total assets	38,891,352	3,211,709
 DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	11,106,845	-
 LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	727,671	-
Unearned revenue	1,059,043	-
Compensated absences payable	378,566	-
Current portion of long-term obligations	155,000	-
Total current liabilities	2,320,280	-
Non-current Liabilities		
Noncurrent portion of long-term obligations	3,025,335	-
Net pension liability	30,764,303	-
Total non-current liabilities	33,789,638	-
Total liabilities	36,109,918	-
 DEFERRED INFLOWS OF RESOURCES		
Related to pensions	478,173	-
 NET POSITION		
Net investment in capital assets	23,113,658	37,000
Restricted		
Nonexpendable - Scholarships	282,500	1,934,839
Expendable - Scholarships	6,727	1,201,626
Unrestricted (deficit)	(9,992,779)	38,244
Total net position	\$ 13,410,106	\$ 3,211,709

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	Primary Institution	Component Unit CCC Foundation
OPERATING REVENUES		
Student tuition and fees (net of discounts and allowances of \$1,672,277)	\$ 2,157,757	\$ -
Federal grants and contracts	5,974,780	-
State grants and contracts	759,662	-
Private grants and contracts	228,234	-
Sales and services	123,889	-
Other operating revenues	262,745	-
Total operating revenues	9,507,067	-
OPERATING EXPENSES		
Education and general		
Instruction	11,748,940	-
Institutional support	2,518,308	-
Student services	1,497,155	-
Academic support	1,184,452	-
Public service	1,331,500	-
Student social and cultural	89,929	-
Student aid (discounted)	3,403,298	-
Operation and maintenance of plant	1,816,261	-
Depreciation and amortization	1,432,225	-
Auxiliary enterprises	20,774	-
Other operating expenses	19,398	297,076
Total operating expenses	25,062,240	297,076
Operating loss	(15,555,173)	(297,076)
Non-operating revenues (expenses)		
State appropriations	9,369,156	-
Local tax levy	1,608,346	-
Investment Income, net of expenses	18,702	437,164
Private gifts	-	264,147
Interest on capital asset related debt	(17,874)	-
Loss on disposal of capital assets	(31,877)	-
Total non-operating revenues	10,946,453	701,311
Other		
Capital appropriations	694,965	-
(Decrease) increase in net position	(3,913,755)	404,235
Net position, beginning of year	17,323,861	2,807,474
Net position, end of year	\$ 13,410,106	\$ 3,211,709

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Primary Institution</u>
Cash Flows From Operating Activities	
Tuition and fees	\$ 2,107,684
Grants and contracts	6,699,891
Payments to suppliers, employees, and others	(15,761,801)
Payments for educational activities	(3,403,298)
Auxiliary enterprise charges	(20,774)
Net cash used in operating activities	<u>(10,378,298)</u>
Cash Flows From Non-capital Financing Activities	
Local tax levy revenues	1,633,086
State appropriations	9,369,156
Net cash provided by non-capital financing activities	<u>11,002,242</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	(2,979,821)
Payments on capital debt	(172,874)
General obligation bond appropriation	694,965
Proceeds from energy performance note	2,700,335
Net cash provided by capital and related financing activities	<u>242,605</u>
Cash Flows From Investing Activities	
Investment income, net of expenses	18,702
Net increase in cash, restricted cash, and cash equivalents	885,251
Cash, restricted cash, and cash equivalents, beginning of year	3,546,467
Cash, restricted cash, and cash equivalents, end of year	<u>\$ 4,431,718</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (15,555,173)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation and amortization	1,432,225
Additional pension expense under GASB 68	4,263,611
Change in assets and liabilities	
Receivables	(803,302)
Inventories	746
Other assets	(22,158)
Accounts payable and deferred liabilities	248,847
Compensated absences	12,510
Unearned revenue	44,396
Net cash used in operating activities	<u>\$ (10,378,298)</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2018**

ASSETS

Cash and cash equivalents \$ 27,762

Total assets **\$ 27,762**

LIABILITIES

Due to student organizations \$ 27,762

Total liabilities **\$ 27,762**

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. NATURE OF ACTIVITIES

Clovis Community College was created by majority vote of the Curry County electorate on September 18, 1990. Formerly a branch campus of Eastern New Mexico University, Clovis Community College (the College) was reorganized under the state "Junior College Act" (i.e., Section 21-13-1 through 21-13-25 NMSA, 1978 compilation, as amended). The purpose of the Junior College Act is to provide for the creation of local junior colleges and to extend the privilege of a basic vocational technological or higher education to all persons who are qualified to pursue the courses of study offered. The College is funded through appropriations from the State of New Mexico, local mill tax levy, and tuition and fees.

The College is governed by a Board of Trustees consisting of five members elected from single member districts within Curry County. The Board's authority is established by state statute, specifically the 1985 Community College Act as amended. The Board employs a President, Executive Vice President, Vice President for Administration and Government Relations, Chief Financial Officer, and a Chief Information Officer who are responsible for the management of the day-to-day control of the institution, including the hiring of administrative officers, faculty, and staff.

The mission of the College is to provide accessible, affordable, accredited, high-quality educational opportunities by keeping the learners' needs at the center of decision making.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting. For financial reporting purposes, the College is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant intra-entity transactions have been eliminated.

Basis of Presentation. The College and its component unit present their financial statements in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). The statement presentation required by GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34*, provides a comprehensive entity-wide perspective of the College's assets, liabilities, and net position, revenues, expenses and changes in net position, and cash flows.

The College has also adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units — an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus— an amendment of GASB Statements No. 14 and 34*. GASB Statement No. 39 provides additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as discretely presented component units based on the nature and significance of their relationship with the College. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for blending component units within

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the primary government in certain circumstances. As required by GASB Statements No. 14, 39, and 61, these basic financial statements present the College and its component unit. The College has only one component unit: the Clovis Community College Foundation.

Discretely Presented Component Unit. The Clovis Community College Foundation (the Foundation) is a legally separate, component unit of Clovis Community College. The Foundation is a New Mexico non-profit corporation formed in 1997 to encourage, solicit, receive and administer gifts and bequests of property for the advancement of Clovis Community College. The Foundation is accounted for separately in the Basic Financial Statements of the College and has a June 30 fiscal year-end. The Foundation is a non-profit corporation operating under 501(c)(3) of the Internal Revenue Code and is generally exempted from Federal income taxes. Accordingly, no provision for income taxes is included in the financial statements. The Foundation does not issue separate financial statements. The Foundation does not have a legally adopted budget.

Budgetary Process. Operating budgets are submitted for approval to the Board of Trustees, the State of New Mexico Higher Education Department (HED), and the State Budget Division of the Department of Finance and Administration (DFA) and are prepared on a modified accrual basis, including capital outlay and retirement of indebtedness. Similarly, separate legislative budget requests are submitted to the Board of Trustees, HED and the DFA for inclusion in the State of New Mexico Executive Budget for consideration of appropriations by the state legislature. Total expenditures or transfers in each of these items of budgetary control may not exceed the amount shown in the approved budget: A. unrestricted expenditures and restricted expenditures are considered separately; B. instruction and general; C. each budget function in current funds other than instruction and general; D. within the plant funds budget: major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service; and E. each individual item of transfer between funds and/or functions.

Cash and Cash Equivalents. Cash and cash equivalents consist of all highly-liquid investments with original maturities of three months or less.

Restricted Cash. Restricted cash at June 30, 2018 includes unspent cash in escrow in the amount of \$1,414,382 from the unspent proceeds of the energy performance note.

Capital Assets. Capital assets are recorded at original cost, or fair value if donated. The College's capitalization policy for moveable equipment includes all items with a unit cost of \$5,000 or more per Section 12-6-10 NMSA 1978 and an estimated useful life 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. Information Technology Equipment, including software, is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9C(5). Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and improvements	40
Land improvements	20
Library books	10
Equipment	5-12

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources. A consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred Inflows of Resources. An acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Expenses. The College's expenses are classified as operating or non-operating according to the following criteria:

Operating Expense. Operating expenses include activities that have the characteristics of an exchange transaction, such as a) employee salaries, benefits, and related expenses; b) scholarships and fellowships, net of scholarship discounts and allowances; c) utilities, supplies, and other services; d) professional fees; and e) depreciation expenses related to College property, plant, and equipment.

Non-operating Expense. Non-operating expense include activities that have the characteristics of non-exchange transactions, such as interest on capital-related debt and bond expenses that are defined as non-operating expenses under the standards promulgated by the GASB.

Inventories. Inventories consist mainly of cosmetology items held for resale, valued at the lower of cost or market on a first-in, first-out (FIFO) basis.

Net Position. The College's net position is classified according to the following criteria:

Net Investment in Capital Assets. Net investment in capital assets represents the College's total investment in capital assets, net of outstanding debt related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net position. Restricted net position represents those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used.

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

Restricted Nonexpendable Net Position. Restricted nonexpendable net position consists of endowment and similar funds in which third parties have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income. The income generated from the principal may be expended or added to principal.

Unrestricted Net Position. Unrestricted net position, which may contain multiple year contractual commitments, consists of those operating funds over which the governing board retains full control to use in achieving any of its authorized purposes.

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

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property Taxes. Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10 and April 10. Property taxes uncollected after November 10 and April 10 are considered delinquent. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Curry County and remitted monthly to the College.

Receivables and Payables. The College records student accounts receivable at the time a student registers for classes. Provisions for uncollectible student accounts are recorded to maintain adequate allowance for anticipated losses. See Note 4 for segregation of accounts receivable. Accounts payable and accrued liabilities consist of \$487,231 in payroll and related tax liabilities and \$240,440 in accounts payable to vendors.

Revenues. The College's revenues are classified as operating or non-operating according to the following criteria:

Operating Revenues. Operating revenues include 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; and c) non-exchange transactions such as contracts and grants.

Non-operating Revenues. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as a) appropriations; b) taxes; and c) investment income.

Other Revenues. Other revenues include capital appropriations from State of New Mexico General Obligation Bonds.

Scholarship Allowance. Student tuition and fee revenue are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain government grants, such as Pell grants, and other federal, state or non-governmental programs, are recorded as operating or non-operating revenue in the College's financial statements. To the extent that revenue from such programs are used to satisfy tuition and fees, other student charges, and auxiliary enterprise charges the College has recorded a scholarship allowance.

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

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status. The income generated by the College is excluded from Federal income taxes under Section 115(a) of the Internal Revenue Code. The College is exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

Unearned Revenue. Unearned revenue consists primarily of advances from contracts and grants. Revenue is recognized to the extent expenses are incurred.

Use of Estimates. The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ significantly from those estimates.

NOTE 3. DEPOSITS AND INVESTMENTS

For the College, 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 by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than 100% of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

Deposits - Custodial Credit Risk – College and Foundation - Custodial credit risk is the risk that in the event of a bank failure, the College's or Foundation's deposits may not be returned to it.

The Bank pledges collateral against both the Foundation and the College and does not segregate the amounts between the two. As of June 30, 2018, \$4,786,396 of the College's and Foundation's bank balances of \$5,299,899 were exposed to custodial credit risk. \$4,786,396 of the bank balances were uninsured and collateralized by securities held by the pledging financial institution's trust department or agent, but not in the College's name and no amounts were uninsured and uncollateralized. The Foundation's bank balance is held under the College's name.

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Section 6-10-17, NMSA 1978, requires that all depositories provide collateral equal to at least one-half of the amount of public monies on deposit. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. All depositories had collateral exceeding the amount required by law as shown in Schedule of Pledged Collateral.

The sources of the component unit cash do not meet the definition of public monies. Therefore, the component units are not required to follow State Statutes and no collateralization is required. However, as noted above, the Foundation's uninsured balances are collateralized by securities held by the pledging financial institution.

Investments - College. For the College, State statutes authorize the investment of funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts and United States Government obligations. Management of the College is not aware of any investments that did not properly follow State investment requirements as of June 30, 2018.

All investment decisions are approved by the Board. As of June 30, 2018, the College had an investment balance totaling \$5,484,850. Through the approval of the Board of Directors for the College, the funds were invested in the New MexiGROW Local Government Investment Pool (LGIP), which is managed by the State Treasurer. These investments are valued at fair value based on quoted market prices as of the valuation date.

The State Treasurer New MexiGROW LGIP is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary.

Interest Rate Risk - College. According to the State Treasurer's LGIP investment policy, the pool shall be invested in order to maintain a stable net asset value of \$1.00 per share. The weighted average maturity of investments in the pool shall not exceed 60 days. To limit the possibility of loss of principal due to interest rate fluctuations, the State Treasurer will make reasonable efforts to match investments with anticipated cash requirements and give particular emphasis to the following factors: Relative Yield to Maturity, Marketability, and Inter-market yield Analysis. As of June 30, 2018, the New Mexico LGIP AAAM rated \$5,484,850 WAM (R) was 50 days and the WAM (F) is 100 days.

Credit Rate Risk - College. Under Section 59A-9-6, NMSA 1978, an insurer shall not invest in bonds rated below BAA by Moody's Investment Service, Inc. or BBB by Standard & Poor's, Inc.; as of June 30, 2018, the State Treasurer LGIP was rated AAAM by Standard & Poor's, Inc.

Concentration Risk - College. The College places no limit on the amount the College may invest in any one issuer. At year-end, 100% of the College's investments were held in the New MexiGROW LGIP.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – Foundation. All Foundation investments are managed by the New Mexico State Investment Council (SIC). In addition to fulfilling its primary role of managing the investments of the State’s Land Grant and Permanent Funds, the SIC also manages investments for approximately 20 third-party entities such as the Clovis Community College Foundation.

At June 30, 2018, the Foundation was invested in both a large cap stock index pool and a bond index pool as described below:

US Large Cap Index Pool. This pool of stocks seeks to generate returns similar to the Russell 1000 index. 82.78% of total Foundation funds with the SIC were invested in this pool at June 30, 2018.

Core Plus Bonds Pool. This pool of bonds seeks to exceed returns of the Barclay’s US Aggregate Bond Index through active external management using complementary core-plus strategies. 17.22% of total Foundation funds with the SIC were invested in this pool at June 30, 2018.

The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Foundation has the following recurring fair value measurements, valued at quoted market prices, as of June 30, 2018:

	<u>Amount</u>	<u>Percent</u>
Investment in US Large Cap Index Pool	\$ 2,466,045	82.78%
Core Plus Bonds Pool	<u>512,967</u>	<u>17.22%</u>
	<u>\$ 2,979,012</u>	<u>100.00%</u>

The Foundation’s investment in the US Large Cap Index Pool is a Level 1 investment. The Foundation’s investment in the Core Plus Bonds Pool is a Level 2 investment.

Custodial Credit Risk – Investments – Foundation. For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The custodian of the investments of the Foundation is a State of New Mexico department (New Mexico State Investment Council) created by legislation in 1958. All investments are backed by marketable securities.

Credit Risk – Investments - Foundation. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation does not have a policy on investment credit risk. At June 30, 2018, the Foundation’s SIC investments are subject to credit risk; however, they are at the same risk as all investments held for the State of New Mexico.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4. RECEIVABLES, NET

	<u>Primary Institution</u>
Tuition and fees	\$ 1,387,120
Inactive tuition accounts	<u>1,183,203</u>
Subtotal tuition and fees	2,570,323
Allowance for doubtful accounts	<u>(1,655,016)</u>
Tuition and fees, net of allowance	915,307
Contracts and grants	657,133
Due from state agency	565,684
Due from a third party	79,735
Property tax levy	29,882
Accrued interest receivable	<u>63,509</u>
Total receivables	<u><u>\$ 2,311,250</u></u>

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is summarized as follows:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 300,330	\$ -	\$ -	\$ 300,330
Fine art	969,854	-	-	969,854
Construction in progress	<u>657,134</u>	<u>2,698,236</u>	-	<u>3,355,370</u>
Total capital assets not being depreciated	<u>1,927,318</u>	<u>2,698,236</u>	-	<u>4,625,554</u>
Capital assets being depreciated:				
Buildings and improvements	36,221,217	60,785	-	36,282,002
Equipment	7,773,866	207,014	(1,091,072)	6,889,808
Library books	1,892,832	13,785	(11,230)	1,895,387
Land improvements	<u>2,996,583</u>	-	-	<u>2,996,583</u>
Total other capital assets, at cost	<u>48,884,498</u>	<u>281,584</u>	<u>(1,102,302)</u>	<u>48,063,780</u>
Less accumulated depreciation:				
Buildings and improvements	(17,112,727)	(926,138)	-	(18,038,865)
Land improvements	(1,831,335)	(105,722)	-	(1,937,057)
Equipment	(5,273,886)	(373,758)	1,059,195	(4,588,449)
Library books	<u>(1,815,593)</u>	<u>(26,607)</u>	<u>11,230</u>	<u>(1,830,970)</u>
Total accumulated depreciation	<u>(26,033,541)</u>	<u>(1,432,225)</u>	<u>1,070,425</u>	<u>(26,395,341)</u>
Capital assets, net	<u>\$ 24,778,275</u>	<u>\$ 1,547,595</u>	<u>\$ (31,877)</u>	<u>\$ 26,293,993</u>
Capital asset summary				
Capital assets not being depreciated	1,927,318	2,698,236	-	4,625,554
Other capital assets, at cost	<u>48,884,498</u>	<u>281,584</u>	<u>(1,102,302)</u>	<u>48,063,780</u>
Total cost of capital assets	50,811,816	2,979,820	(1,102,302)	52,689,334
Accumulated depreciation	<u>(26,033,541)</u>	<u>(1,432,225)</u>	<u>1,070,425</u>	<u>(26,395,341)</u>
Capital assets, net	<u>\$ 24,778,275</u>	<u>\$ 1,547,595</u>	<u>\$ (31,877)</u>	<u>\$ 26,293,993</u>
Component unit – net capital assets	<u>\$ 37,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,000</u>

On February 22, 2018, the College entered into an equipment lease purchase agreement for energy performance upgrades including: a solar photovoltaic array, water loop improvements, building envelope improvements, and lighting upgrades. These upgrades are included in Construction in Progress.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 6. NOTES PAYABLE

On August 1, 2001, the College issued System Revenue Bonds in the principal amount of \$2,290,000. The Bonds were issued for the purpose of constructing, improving, remodeling, furnishing and equipping the College's Library and Technology Center. On July 8, 2011, the College refinanced the System Refunding Revenue Bonds through a note agreement with the New Mexico Finance Authority (NMFA). The note is payable solely by pledged revenues from the College's revenue producing facilities, gross proceeds or student tuition and fees, and certain other revenues devised from sources other than ad valorem taxation or appropriations. As of June 30, 2018, the principal and interest to be paid on the NMFA note total \$509,418. The net effective interest rate on the note is 3.311%.

On February 22, 2018, the College entered into an equipment lease purchase agreement (energy performance contract or EPC) for energy performance upgrades including: a solar photovoltaic array, water loop improvements, building envelope improvements, and lighting upgrades. The utility cost avoidance of the energy performance upgrades is expected to offset the cost of debt. The aggregate principal outstanding at June 30, 2018 is \$2,700,335 with interest of 3.69%. The remaining principal and interest to be paid on the EPC note total \$3,703,693.

The detail of the notes payable are as follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>	<u>Due Within One Year</u>
NMFA note	\$ 635,000	\$ -	\$ (155,000)	\$ 480,000	\$ 155,000
EPC note	-	2,700,335	-	2,700,335	-
Total bonds and notes payable	<u>\$ 635,000</u>	<u>\$ 2,700,335</u>	<u>\$ (155,000)</u>	<u>\$ 3,180,335</u>	<u>\$ 155,000</u>

The annual requirements to amortize the notes payable outstanding including interest payments are as follows:

Fiscal Year Ending	Total Debt		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Service</u>
2019	\$ 155,000	\$ 107,983	\$ 262,983
2020	299,364	108,329	407,693
2021	259,484	98,900	358,384
2022	105,473	90,032	195,505
2023	117,137	86,031	203,168
2024-2028	784,816	353,996	1,138,812
2029-2033	1,162,505	179,321	1,341,825
Thereafter	<u>296,556</u>	<u>8,183</u>	<u>304,739</u>
	<u>\$ 3,180,335</u>	<u>\$ 1,032,775</u>	<u>\$ 4,213,110</u>

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 7. UNEARNED REVENUE

Unearned revenue consists of summer and fall tuition revenue in the amount of \$1,047,977 and advanced grant revenue of \$11,066 at June 30, 2018.

NOTE 8. ACCRUED COMPENSATED ABSENCES

College employees earn annual leave at various rates based upon type of employment and such leave may be accumulated to a maximum of 352 hours. Employees also earn sick leave at various rates based upon type of employment to a maximum accumulation of 1,040 hours. Sick leave is not payable to the employee and is lost upon termination; therefore, no accrual is made for sick leave in the financial statements.

The summary of changes in compensated absences is as follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>	<u>Due Within One Year</u>
Compensated absences payable	<u>\$ 366,056</u>	<u>\$ 978,773</u>	<u>\$ (285,786)</u>	<u>\$ 1,059,043</u>	<u>\$ 1,059,043</u>

NOTE 9. PENSION PLAN – EDUCATION RETIREMENT BOARD

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

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-112, 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.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 9. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

Benefits Provided. 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 67 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.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 9. 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. 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%.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 9. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

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	Employer Rate	Combined Rate	Increase Over Prior Year
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%	0.00%
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	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 employer contributions of \$1,042,447 and \$1,096,459 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 \$30,764,303 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 ERB 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 College'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. At June 30, 2017, the College's proportion was 0.27682%, which was an increase of 0.01928% from its proportion measured at June 30, 2016.

For the year ended June 30, 2018, the College recognized pension expense of \$4,263,612. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 9. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual actuarial experience	\$ 55,225	\$ 473,953
Net difference between projected and actual earnings on pension plan investments	-	4,220
Changes in assumptions	8,980,705	-
Changes in proportion and differences between College contributions and proportionate share of contributions	1,028,468	-
College contributions subsequent to the measurement date	<u>1,042,447</u>	<u>-</u>
Total	<u>\$ 11,106,845</u>	<u>\$ 478,173</u>

The College reported \$1,042,447 reported as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date of June 30, 2017 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:

<u>Year Ended June 30,</u>	
2019	\$ 3,697,592
2020	3,823,993
2021	2,317,960
2022	(253,321)
2023	<u>-</u>
Total	<u>\$ 9,586,224</u>

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:

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 9. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

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	Fiscal year <u>2017</u> <u>2016</u> <u>2015</u> <u>2014</u>
Remaining Service Lives	Service life in years 3.35 3.77 3.92 3.88
Mortality	<p>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.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
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.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 9. 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%	
	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.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 9. PENSION PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

Sensitivity of the Employer Name’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Colleges’ proportionate share of the net pension liability calculated using the discount rate of 5.90%, as well as what the employer name’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%) or 1-percentage-point higher (6.90%) than the current rate.

	1 % Decrease	Current Discount Rate	1 % Increase
	4.90%	5.90%	6.90%
College's proportionate share of the net pension liability	\$ 40,047,472	\$ 30,764,303	\$ 23,176,068

Pension Plan Fiduciary Net Position. Detailed information about the ERB’s fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2018 and 2017 which are publicly available at www.nmerb.org.

NOTE 10. ALTERNATIVE RETIREMENT PLAN – EDUCATION RETIREMENT BOARD

Alternative Retirement Plan – Effective October 1991, the New Mexico legislature established an Alternative Retirement Plan (ARP) through the enactment of ERA Sections 22-11-47 through 52 NMSA 1978 to provide eligible employees an election to establish an alternative retirement investment plan. In contrast to the defined benefit plan administered by NMERB, the ARP is a defined contribution plan. NMERB is the trustee of the ARP which is administered by two third-party contractors for NMERB. The administrators approved to offer ARP plans to eligible participants are Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF), and Fidelity Investments. These administrators have the authority to perform record keeping, enrollment education services, and other administrative duties for the ARP. The administrators are delegated any and all powers as may be necessary or advisable to discharge their duties under the ARP and have certain discretionary authority to decide matters under the ARP. As the ARP trustee NMERB is responsible for selecting investment options that provide a prudent rate of return, and to ensure that all investments, amounts, property, and rights under the executed Plan-Trust are held for the exclusive benefit of Plan participants and their beneficiaries, as defined in the Plan Document.

Eligibility – Employees of the University of New Mexico, New Mexico State University, New Mexico Institute of Mining and Technology, New Mexico Highlands University, Eastern New Mexico University, Western New Mexico University, Central New Mexico Community College, Clovis Community College, Luna Community College, Mesalands Community College, New Mexico Junior College, Northern New Mexico College, San Juan College and Santa Fe Community College are eligible to make an election to participate within ninety days of employment. Information about the ARP is distributed by the employer. Those who do not elect to participate in the ARP remain members of the regular defined benefit retirement plan. Section 22-11-47(D) NMSA 1978 allows an ARP participant a one-time option to make an irrevocable switch to the defined benefit retirement plan after seven years of ARP participation.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 10. ALTERNATIVE RETIREMENT PLAN – EDUCATION RETIREMENT BOARD (CONTINUED)

Form of Payment - Retirement, death, and other benefits are based upon contributions made and earnings accumulated on those contributions, in accordance with the terms of the applicable vendor contracts and Internal Revenue Service Code. Retirement benefits shall, at the option of the employee, be paid:

- In the form of a lifetime income, if held in an annuity contract,
- Payments for a term of years, or
- A single-sum cash payment.

ARP retirement, death, and other benefits, including disability benefits, cannot be paid from the funds administered by NMERB.

ARP Contributions. For the year ended June 30, 2018, colleges and universities contributed 10.90% of participating employees' gross salary to the ARP vendor on behalf of the participant, and 3% of the employees' gross salary to NMERB. The colleges and universities are responsible for submitting the balance of the employers' contribution, and the employees' contributions directly to the ARP vendors. Employees participating in the ARP do not accrue rights to benefits in the defined benefit pension plan based on the 3% contributions to the Plan. Employer contributions to NMERB include amounts remitted on behalf of both the ARP defined contribution plan and the defined benefit plan. The 3% contribution remitted by the College for fiscal years ended June 30, 2018 and 2017 were \$14,295 and \$13,273, respectively.

NOTE 11. RETIREE HEALTHCARE

The College contracts with a third-party insurer for its retiree healthcare. Retiring employees enrolled in the current healthcare plan are eligible to receive a subsidy from the College for its retiree healthcare costs. If the retiree is a return-to-work retiree, upon termination of employment the retiree will revert to the health plan they were covered under when the retiree originally retired. The College subsidizes 60% of the retiree health care for the retired employee and their spouse. Once the retired employee or spouse turns 65, the retired employee is eligible to receive a subsidy of 60% of the cost of Medicare Part B. Total expenditures for retiree healthcare for years ending June 30, 2018, 2017, and 2016 were \$258,573, \$243,285, and \$226,757, respectively.

As of June 30, 2018, the College does not have a firm commitment to fund retiree healthcare and, therefore, no liability for unfunded retiree healthcare is recorded in the accompanying financial statements.

NOTE 12. CONTINGENT LIABILITIES

The College participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to non-compliance with grant program regulations, the College may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on the overall financial position of the College.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 13. TAX-DEFERRED ANNUITY PLAN

The College provides a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code (IRC). The plan is available to employees who normally work 20 hours or more per week. The College does not contribute to the plan. Employees may make contributions to the plan up to the maximum amount allowed by the IRC.

NOTE 14. RELATED-PARTY TRANSACTIONS

The College has entered into a contract for basic insurance for the College. The husband of a key employee of the College has a minority ownership in the insurance company. For the year ended June 30, 2018, \$301,148 was paid to the insurance company.

NOTE 15. RISK MANAGEMENT

At June 30, 2018, the College had no workman's compensation claims outstanding. At June 30, 2018, there are no other litigation, claims or assessments against the College. The College has property and liability insurance coverage with Zurich Insurance Group, LTD. and workers compensation insurance coverage with Mountain States Mutual. The College has not filed any claims wherein the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the College which exceeds the insurance coverage, the College would be responsible for a loss in excess of the coverage amounts.

NOTE 16. TAX ABATEMENTS

Abatements of Other Governments. The College is subject to tax abatements granted by the City of Clovis through the Industrial Revenue Bond Act. This program has the stated purposes of promoting industry and trade other than retail trade in the county and municipalities.

Industrial Revenue Bonds. Under the Industrial Revenue Bond Act [3-32 NMSA 1978], the city council can vote to induce an industrial revenue bond in order to induce a manufacturing, industrial, or commercial enterprise to locate or expand in that region, by financing a specified project. The city may include in the agreement a stipulation of an amount or a percentage reduction of property taxes, which can be as much as 100%. This reduction or exemption is applicable for the life of the bond issue, not to exceed thirty years from the date the bonds were issued and is a significant benefit for borrowers that would not otherwise qualify for a property tax exemption under other constitutional or statutory provisions. Information relevant to disclosure of those programs for the fiscal year ended June 30, 2018 follows:

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 16. TAX ABATEMENTS (CONTINUED)

Agency number for Agency making the disclosure (Abating Agency)	#6038
Abating Agency Name	City of Clovis
Abating Agency Type	Municipality
Tax Abatement Agreement Name	Industrial Revenue Bond
Name of agency affected by abatement agreement (Affected Agency)	Clovis Community College
Agency number of Affected Agency	#980
Agency type of Affected Agency	Higher Education Institution
Recipient(s) of tax abatement	Southwest Cheese
Tax abatement program (name and brief description)	Industrial Revenue Bond - 100% Tax Abatement with Payment In Lieu of Taxes to School District/Foundation
Specific Tax(es) being Abated	Real and Personal Property Taxes
Authority under which abated tax would have been paid to Affected Agency	State of New Mexico Industrial Revenue Bond Act
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	\$311,250
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	\$13,974 Payment in Lieu of Taxes
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	None Omitted

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
NEW MEXICO EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
LAST 10 FISCAL YEARS* (UNAUDITED)**

Fiscal Year Measurement Date	2018 2017	2017 2016	2016 2015	2015 2014
College's proportion of the net pension liability	0.27682%	0.25754%	0.25719%	0.25138%
College's proportionate share of the net pension liability	\$ 30,764,303	\$ 18,533,695	\$ 16,658,881	\$ 14,343,057
College's covered-employee payroll	\$ 7,396,769	\$ 7,792,704	\$ 7,250,156	\$ 7,313,991
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	415.92%	237.83%	229.77%	196.10%
ERB Plan fiduciary net position as a percentage of the total pension liability	52.95%	61.58%	63.97%	66.54%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the College will present information for those years for which information is available.

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
NEW MEXICO EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
LAST 10 FISCAL YEARS* (UNAUDITED)

	June 30,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,042,447	\$ 1,096,459	\$ 1,022,377	\$ 1,015,832
Contributions in relation to the contractually required	<u>\$ (1,042,447)</u>	<u>\$ (1,096,459)</u>	<u>\$ (1,022,377)</u>	<u>\$ (1,015,832)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 7,396,769	\$ 7,792,704	\$ 7,250,156	\$ 7,313,991
Contribution as a percentage of covered-employee payroll	14.09%	14.07%	14.10%	13.89%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the College will present information for those years for which information is available.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2018**

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

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

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES -
UNRESTRICTED AND RESTRICTED - ALL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Actual (Over) Under Budget
Beginning net position	\$ 5,128,613	\$ 8,680,164	\$ 8,680,164	\$ -
REVENUES				
State government appropriations	11,381,992	14,280,431	10,064,121	4,216,310
Federal revenue sources	8,955,850	8,805,166	5,974,780	2,830,386
Tuition and fees	3,666,807	3,667,087	3,828,036	(160,949)
Endowments and private gifts	254,000	262,300	228,234	34,066
Other	2,697,322	2,731,093	2,775,342	(44,249)
Total revenues	<u>26,955,971</u>	<u>29,746,077</u>	<u>22,870,513</u>	<u>6,875,564</u>
EXPENDITURES				
Instruction	8,340,794	8,504,845	7,485,343	1,019,502
Academic support	1,323,470	1,355,308	1,184,440	170,868
Student services	1,576,539	1,576,539	1,497,155	79,384
Institutional support	2,883,903	2,919,665	2,518,358	401,307
Operation and maintenance of plant	2,009,114	1,993,014	1,816,261	176,753
Total instruction and general	<u>16,133,820</u>	<u>16,349,371</u>	<u>14,501,557</u>	<u>1,847,814</u>
Student social and cultural activities	94,800	94,800	89,929	4,871
Public service	1,872,393	1,753,568	1,331,450	422,119
Student aid, grants and stipends	7,582,017	7,542,240	5,075,575	2,466,665
Auxiliary services	40,000	40,000	20,774	19,226
Capital outlay	2,658,376	3,188,226	2,252,913	935,313
Building renewal and replacement	611,442	1,311,442	746,305	565,137
Retirement of indebtedness and refunding expense	<u>175,374</u>	<u>175,374</u>	<u>172,874</u>	<u>2,501</u>
Total expenditures	<u>29,168,222</u>	<u>30,455,021</u>	<u>24,191,376</u>	<u>6,263,645</u>
Net transfers	-	-	-	-
Change in net position - budgetary basis	<u>(2,212,251)</u>	<u>(708,944)</u>	<u>(1,320,862)</u>	<u>611,918</u>
Ending net position	<u>\$ 2,916,362</u>	<u>\$ 7,971,220</u>	<u>\$ 7,359,302</u>	<u>\$ 611,918</u>

Under Title 5 of the New Mexico Administrative Code, Chapter 3, Part 4, Paragraph 10 - Items of Budgetary Control: The total expenditures in each of the following budgetary functions will be used as items of budgetary control. Total expenditures or transfers in each of the following items of budgetary control may not exceed the amounts shown in the approved budget: A. Unrestricted expenditures and restricted expenditures; B. Instruction and general; C. Each budget function in current funds other than instruction and general; D. Within the plant funds budget: major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service; and E. Each individual item of transfer between funds and/or functions.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES -
UNRESTRICTED - INSTRUCTIONAL AND GENERAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Actual (Over) Under Budget
Beginning net position	\$ 1,028,435	\$ 3,150,351	\$ 3,150,351	\$ -
REVENUES				
Tuition	3,422,627	3,423,707	3,578,099	(154,392)
State government appropriations	9,367,000	9,367,000	9,369,156	(2,156)
Local government appropriations	1,400,000	1,400,000	1,608,346	(208,346)
Federal government contracts and grants	2,000	2,000	7,738	(5,738)
Other	162,503	162,503	243,220	(80,717)
Total revenues	<u>14,354,130</u>	<u>14,355,210</u>	<u>14,806,559</u>	<u>(451,349)</u>
EXPENDITURES				
Instruction	7,446,021	7,584,240	6,913,887	670,353
Academic support	1,323,470	1,355,308	1,184,452	170,856
Student services	1,576,539	1,603,293	1,497,155	106,138
Institutional support	2,883,903	2,942,996	2,518,357	424,639
Operation and maintenance of plant	2,009,114	1,993,014	1,816,261	176,753
Total expenditures	<u>15,239,047</u>	<u>15,478,851</u>	<u>13,930,112</u>	<u>1,548,739</u>
Net transfers	<u>(511,450)</u>	<u>(511,450)</u>	<u>(511,450)</u>	-
Change in net position - budgetary basis	<u>(373,467)</u>	<u>(612,191)</u>	<u>1,387,897</u>	<u>(2,000,088)</u>
Ending net position	<u>\$ 654,968</u>	<u>\$ 2,538,160</u>	<u>\$ 4,538,248</u>	<u>\$ (2,000,088)</u>

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES -
RESTRICTED - INSTRUCTIONAL AND GENERAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual (Over) Under Budget</u>
Beginning net position	\$ -	\$ -	\$ 24,133	\$ (24,133)
REVENUES				
Federal contracts and grants	592,773	609,059	439,886	169,173
State contracts and grants	<u>302,000</u>	<u>345,578</u>	<u>268,757</u>	<u>76,821</u>
Total revenues	<u>894,773</u>	<u>954,637</u>	<u>708,643</u>	<u>245,994</u>
EXPENDITURES				
Instruction	894,773	954,637	705,298	249,339
Academic Support	-	-	-	-
Total expenditures	<u>894,773</u>	<u>954,637</u>	<u>705,298</u>	<u>249,339</u>
Net transfers	-	-	-	-
Change in net position - budgetary basis	-	-	<u>3,345</u>	<u>(3,345)</u>
Ending net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,478</u>	<u>\$ (27,478)</u>

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
RECONCILIATION OF CHANGES IN NET POSITION -
BUDGET BASIS TO GAAP BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Revenues</u>	<u>Expense</u>	<u>Net</u>
Budget basis revenues (expense)	\$ 22,870,513	\$ (24,191,376)	\$ (1,320,862)
Additional (GASB 68) pension expense	-	(4,263,611)	(4,263,611)
Capital expenditures	-	2,979,821	2,979,821
Depreciation	-	(1,432,225)	(1,432,225)
Scholarship allowance	(1,672,277)	1,672,277	-
Loss and disposal of assets	-	(31,877)	(31,877)
Payment of principal on debt	-	155,000	155,000
	<u> </u>	<u> </u>	<u> </u>
GAAP basis revenue (expense)	<u>\$ 21,198,236</u>	<u>\$ (25,111,991)</u>	<u>\$ (3,913,754)</u>

OTHER SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2018**

Account Name	Type of Account	NM Bank and Trust	People's Security Bank	BOK Financial	Total
Deposits					
General account	Checking	\$ 94	\$ -	\$ -	\$ 94
Escrow	Escrow	-	-	1,414,382	1,414,382
Accounts payable	Checking	-	-	-	-
Payroll	Checking	-	-	-	-
Repurchase agreement	Repurchase agreement	3,491,577	-	-	3,491,577
Auxiliary	Checking	149,897	-	-	149,897
Credit card account	Money market	-	13,503	-	13,503
Foundation	Checking	230,446	-	-	230,446
Total amount of deposits in bank		3,872,014	13,503	1,414,382	5,299,899
Less: FDIC coverage		(250,000)	(13,503)	(250,000)	(513,503)
Total uninsured public funds		<u>3,622,014</u>	<u>-</u>	<u>1,164,382</u>	<u>4,786,396</u>
50% collateral requirements		65,219	-	582,191	647,410
102% collateral requirements		3,561,409	-	-	3,561,409
Subtotal collateral requirements		3,626,627	-	582,191	4,208,818
Pledged securities		3,657,559	-	1,280,820	4,938,379
Over/(under) collateralized		<u>\$ 30,932</u>	<u>\$ -</u>	<u>\$ 698,629</u>	<u>\$ 729,561</u>
Bank balance		\$ 3,872,014	\$ 13,503	\$ 1,414,382	\$ 5,299,899
Outstanding items - College		(675,823)	-	-	(675,823)
Outstanding items - Foundation		(34,888)	-	-	(34,888)
Deposits in transit - College		55,519	1,830	-	57,349
Deposits in transit - Foundation		140	-	-	140
Plus: petty cash		8,500	-	-	8,500
Less: agency funds		27,762	-	-	27,762
Book balance		<u>\$ 3,197,700</u>	<u>\$ 15,333</u>	<u>\$ 1,414,382</u>	<u>\$ 4,627,415</u>
College		\$ 3,002,003	\$ 15,333	\$ 1,414,382	\$ 4,431,718
Foundation		195,697	-	-	195,697
		<u>\$ 3,197,700</u>	<u>\$ 15,333</u>	<u>\$ 1,414,382</u>	<u>\$ 4,627,415</u>

Note 1: Total collateral is pledged against both the College and Foundation. Collateral is not segregated between the two entities.

Note 2: The checking accounts at New Mexico Bank & Trust are non-interest bearing accounts.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Account Name	Type of Account	Balance Per Statement	Reconciled Balance Per Books
Investments - College New MexiGROW	External Investment Pool	\$ 5,484,850	\$ 5,484,850
Investments - Foundation State Investment Council	External Investment Pool	\$ 2,979,012	\$ 2,979,012

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF PLEDGED COLLATERAL
YEAR ENDED JUNE 30, 2018**

Name of Depository	Description	Maturity	CUSIP Number	Fair Market Value	Name and Location of Safe Keeper
New Mexico Bank and Trust	Albuquerque Municipal School District Bonds	8/1/2021	013595QQ9	\$ 127,685	Suntrust Bank Atlanta, Ga
New Mexico Bank and Trust	Dallas Texas Rapid Transit Sales Tax Revenue Bonds	11/15/2034	235241SM9	34,527	Suntrust Bank Atlanta, Ga
New Mexico Bank and Trust	GNMA GNR-2016 31C Bonds	7/20/2044	38379VWEO	2,095,003	Heartland Bank Dubuque, Iowa
New Mexico Bank and Trust	Export-Import Bank of the United States - Bonds	3/20/2025	55002RAB8	1,400,344	Heartland Bank Dubuque, Iowa
BOK Financial	Prime Institutional Index - iMoneyNet	Various*	Various*	<u>1,280,820</u>	Tulsa, Oklahoma
Total collateral pledged				<u>\$ 4,938,379</u>	

* The College's trust account at BOK Financial is part of a larger pool of investments for government entities. That pool is collateralized entirely through possession of U.S. Treasury and U.S. Agency Securities at 110 percent of the cash market value in excess of FDIC coverage.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

The College is a member of a purchasing cooperative formed with the approval of the New Mexico Department of Finance and Administration. All public education institutions in the State of New Mexico are eligible to be members of the cooperative. The College has no equity or other financial interest in the cooperative except to the extent it makes purchases through the Cooperative.

Participants	All school districts, Clovis Community College, Luna Community College, San Juan College
Party responsible for operations	N/A
Description	To make purchases through the cooperative at a discount
Beginning and ending dates	12/18/84
Total estimated cost	N/A
Amount contributed in the current year	None
Audit responsibility	N/A
Fiscal agent	N/A
Agency where the entity reports	N/A

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
JUNE 30, 2018

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS				
Cash and cash equivalents	\$ 26,308	\$ 17,965	\$ (16,511)	\$ 27,762
LIABILITIES				
Due to student organizations	\$ 26,308	\$ 17,965	\$ (16,511)	\$ 27,762

COMPLIANCE SECTION



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

To the Board of Trustees
Clovis Community College
Clovis, New Mexico and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of Clovis 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 and the budgetary comparisons of the College, presented as supplementary information, and have issued our report thereon dated October 25, 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.

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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002, which we consider to be significant deficiencies.

To the Board of Trustees
Clovis Community College and
Mr. Wayne Johnson
New Mexico State Auditor

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported per Section 12-6-5 NMSA 1978 that we have described in the Schedule of Section 12-6-5 NMSA 1978 Findings as item 2018-004. The College's response was not subjected to the auditing procedures and, accordingly, we express no opinion on the response.

The College's Responses to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "JAG LLC". The signature is stylized with a large, sweeping initial "J" and "A" that connect to the "G".

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
October 25, 2018



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

To the Board of Trustees
Clovis Community College
Clovis, New Mexico and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for the Major Federal Programs

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

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the College’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and 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 Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about College’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Trustees
Clovis Community College and
Mr. Wayne Johnson
New Mexico State Auditor

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

Opinion on the Major Federal Programs

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2018.

Other Matters

The result of our auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-003. Our opinion on each major federal program is not modified with respect to these matters.

The College's response to the non-compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the 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.

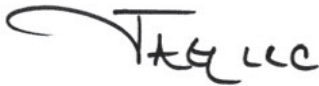
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement 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 non-compliance 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.

To the Board of Trustees
Clovis Community College and
Mr. Wayne Johnson
New Mexico State Auditor

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-003.

The College's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in black ink, appearing to read 'JAG LLC', with a stylized flourish above the letters.

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
October 25, 2018

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor or Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
MAJOR FEDERAL PROGRAMS				
US Department of Education				
Direct:				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ -	\$ 40,688
Federal Work-Study Program	84.033	N/A	-	47,150
Federal Pell Grant Program	84.063	N/A	-	3,688,028
Federal Direct Student Loans	84.268	N/A	-	756,678
Total Student Financial Assistance Cluster			-	4,532,544
NON-MAJOR FEDERAL PROGRAMS				
Direct:				
Higher Education Institutional Aid	84.031S	N/A	-	751,816
Total US Department of Education			-	5,284,360
US Department of Education				
Direct:				
TRIO Cluster				
Student Support Services	84.042A	N/A	-	250,805
Upward Bound	84.047A	N/A	-	250,124
Total TRIO Cluster			-	500,929
Pass-through from NM Higher Education Department:				
Adult Basic Education	84.002	160032	-	65,179
Pass-through from NM Department of Education:				
Carl Perkins	84.048	160031-15B, 16A	-	102,406
Total US Department of Education			-	668,514
US Small Business Administration				
Direct:				
Small Business Development	59.037	N/A	-	21,906
TOTAL FEDERAL EXPENDITURES			\$ -	\$ 5,974,780

See Notes to Schedule of Expenditures
of Federal Awards.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Clovis Community College (College) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position or changes in financial position of the College.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is the same basis as was used to prepare the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. STUDENT FINANCIAL ASSISTANCE

The College administers the Federal Direct Student Loan Program. During the fiscal year ended June 30, 2018, the College processed \$756,678 of new loans under the Federal Direct Student Loan Program.

NOTE 4. INDIRECT COST RATE

The College maintains a negotiated indirect cost rate through the U.S. Department of Health and Human Services. The current negotiated rate is 55% and is under review for renewal. The only two federal programs currently utilizing indirect cost reimbursement are the TRIO-Student Support Services and TRIO-Upward Bound programs which are limited to an 8% indirect cost reimbursement.

NOTE 5. SUBRECIPIENTS

The College did not pass through federal funds to any subrecipients during the year ended June 30, 2018.

NOTE 6. OTHER DISCLOSURES

The College did not receive any non-cash assistance during the year ended June 30, 2018.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

2017-001

Student Financial Assistance – Enrollment Reporting

Revised and Repeated

STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Type of auditor’s report issued: **Unmodified**

Internal control over financial reporting:

- Material weakness (es) identified? yes no
- Significant deficiency (ies) identified? yes none reported
- Non-compliance material to financial statements noted? yes no

Federal Awards:

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster

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

Auditee qualified as low-risk auditee? yes no

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS

2018-001 CHECK FRAUD

TYPE OF FINDING: Significant Deficiency

CONDITION

During the period of June to August 2018, there were three separate instances of check fraud perpetrated on the College totaling \$5,450, \$2,890, and \$1,388, respectively. In each occurrence, the College notified the bank, local law enforcement, the external auditor, and the New Mexico Office of the State Auditor. Additionally, in each occurrence, the College was able to work with its local bank and reverse the impact of the check fraud so that the College ultimately suffered no losses.

CRITERIA

Good accounting practices require the internal control structure to have strong preventative, detective, and corrective controls.

EFFECT

Check fraud was perpetrated on the College.

CAUSE

The College's internal control structure did not have strong enough preventative controls in place to ensure the check fraud did not occur in the first place.

RECOMMENDATION

In order to strengthen preventative controls in the cash transaction cycle, we recommend the College work with the bank to implement positive pay. Positive pay is an automated fraud detection tool offered by the Cash Management Department of most banks. In its simplest form, it is a service that matches the account number, check number, and dollar amount of each check presented for payment against a list of checks previously authorized and issued by the College.

MANAGEMENT RESPONSE

Corrective Action: Management insured proper action and notification of the fraudulent activity after the fraudulent checks were discovered. Positive Pay was implemented on July 11, 2018 with New Mexico Bank and Trust and all funds were returned to Clovis Community College. This security measure detects and virtually eliminates check fraud before checks are paid by comparing presented checks to the checks issued before payment. Having this added measure of protection in place reinforces our internal control processes. We expect no recurrences of such activity in the future.

Due Date of Completion: July 11, 2018

Responsible Party: Director of Finance

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-002 SEGREGATION OF DUTIES OVER CASH RECEIPTS

TYPE OF FINDING: Significant Deficiency

CONDITION

We noted that two college employees that collect cash also have access to the accounts receivable module in Banner, perform accounts receivable reconciliation/control duties, and make daily deposits to the local bank.

CRITERIA

Good accounting practices require segregation of duties within the cash transaction cycle between the recording of transactions and reconciliation/verification of transactions, authorizing transactions, and custody of the related asset.

EFFECT

A lack of segregation of duties between the recording/reconciliation, authorization, and custody of asset increases the risk of misappropriation to the College.

CAUSE

The College did not consider the impact of strong segregation of duties for certain individuals in the cash transaction cycle.

RECOMMENDATION

We recommend the College reassess the duties of those employees handling cash to ensure these employees are not collecting cash, reconciling cash to the general ledger, and depositing the cash.

MANAGEMENT RESPONSE

Corrective Action: Management agrees that during a period of position change over and hiring of positions that there was an overlap of duties between collecting cash, reconciling cash to the general ledger, and depositing the cash. We have reassessed the segregation of duties to ensure that these processes are delineated during all periods, including staffing changes. The following changes have been implemented and communicated to the staff accordingly: Cashier/Student Accounts collects cash/receipts payments, Accountant I/Accounts Receivable reconciles cash to the general ledger, and Assistant to the Director deposits the cash.

Due Date of Completion: October 19, 2018

Responsible Party: Director of Finance

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

SECTION III – FEDERAL AWARD FINDINGS

**2018-003 (previously 2017-001) STUDENT FINANCIAL ASSISTANCE–ENROLLMENT REPORTING
Revised and Repeated**

Federal Program information:

Title: Student Financial Assistance Cluster
Funding Agency: U.S. Department of Education
Pass Through: None
CFDA Number: 84.007, 84.033, 84.063, 84.268
Award Year: 2018
Questioned Costs: None
Type of Finding: Significant Deficiency/Non-compliance

CONDITION

During our testing of the Student Financial Assistance cluster of programs for the compliance requirements under Enrollment Reporting, we noted that 4 out of 40 students tested were not properly reported or not reported to the National Student Loan Database System (NSLDS) when they graduated. Student status change was not reported on the NSLDS website for the Fall Semester for three students, resulting in them showing as Withdrawn on NSLDS. During the Spring Semester one student was shown as being withdrawn instead of graduated on the NSLDS website. During the current year, the College did not make progress on this prior year finding.

CRITERIA

Per 34 CFR section 685.309, schools must complete and return within 15 days the Enrollment Reporting roster file [formerly the Student Status Confirmation Report (SSCR)] placed in their Student Aid Internet Gateway (SAIG) mailboxes sent by ED via NSLDS (OMB No. 1845-0035). The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS web site. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

Unless a roster will be submitted within 60 days, enrollment information must be reported within 30 days when attendance changes for students. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves of absence.

EFFECT

By not reporting the students' enrollment change as required, the College is not in compliance with program requirements. The effective management of the NSLDS program is dependent on timely and accurate reporting from participating institutions. Not reporting enrollment changes timely results in the NSLDS database not matching the College's records.

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

SECTION III – FEDERAL AWARDS FINDINGS (CONTINUED)

**2018-003 (previously 2017-001) STUDENT FINANCIAL ASSISTANCE–ENROLLMENT REPORTING (CONT.)
Revised and Repeated**

CAUSE

The difference between the Withdraw “W” and Graduated “G” appears to be a system issue related to certain students being determined as graduated after their attendance was completed. It was not realized that the report being run was not picking up these students, so the NSLDS continued to show these students as withdrawn.

RECOMMENDATION

We recommend the College continue to develop and implement policies and procedures to ensure that all students with enrollment changes are reported timely and accurately to NSLDS as required. There should be a review each semester to ensure that all students needing to be reported have been.

MANAGEMENT RESPONSE

Corrective Action: Management agrees these students were not properly reported to the NSLDS. In several cases, the students were not enrolled in the subsequent semester, and NSLDS converted these records to withdrawn. At some point during the year, staff looked at records for numerous students and conferred degrees after enrollment had ended. These did not get reported as the reports were run based on currently enrolled students and these students were not picked up. In the future, reports will be run using the new process (not limiting graduates solely to currently enrolled students), which should correct this for future semesters.

Responsible Person(s): Director of Financial Assistance, Financial Assistance Coordinator.

Timeline of Corrective Actions: End of Fall 2018 semester

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
SCHEDULE OF SECTION 12-6-5 NMSA 1978 FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

2018-004 RELEASE OF RESTRICTIONS ON ENDOWMENTS

TYPE OF FINDING: Other Non-Compliance

CONDITION

During fiscal year 2018, the College liquidated one endowment with a fair value of \$9,512 and transferred the funds to the Clovis Community College Foundation to be used for scholarships. The College was unable to contact the donor and obtain permission prior to the transfer of funds. More than 20 years had elapsed since the donor established the fund.

CRITERIA

For any release or modifications of restrictions of a donor contribution with a current fair value of \$25,000 or less, the College must follow the requirements of NMSA 46-9A-6D.

EFFECT

The College was not in compliance with one of the provisions of NMSA 46-9A-6D which require the institution after determination that the management of the restricted gift was unlawful, impractical, impossible to achieve or wasteful, the institution, sixty days after notification to the attorney general, may release or modify the restriction in whole or part. The College did not notify the attorney general.

CAUSE

The College took what was believed was prudent by making several attempts to notify the previous donor. The College was unaware of the specific requirements of NMSA 46-9A-6D.

RECOMMENDATION

For the current compliance violation, we recommend the College notify the attorney general for the release of restrictions on the restricted contribution. Any future modifications or release of restrictions by the College should follow the provisions of NMSA 46-9A-6D.

MANAGEMENT RESPONSE

Corrective Action: Management agrees with the compliance finding as reported. The College will respond according to auditor's recommendation. A letter will be sent to the State of New Mexico Office of the Attorney General for the release of restrictions on the contributed funds from the donor organization for the amount of \$9,566.33.

Due Date of Completion: December 14, 2018

Responsible Party: Director of Finance

**STATE OF NEW MEXICO
CLOVIS COMMUNITY COLLEGE
EXIT CONFERENCE
JUNE 30, 2018**

The contents of this report were discussed in an exit conference held on October 23, 2018, with the following in attendance:

Representing Clovis Community College:

Arnold Martinez, Chairman Board of Trustees
Dr. Becky Rowley, President
Dr. Robin Jones, Executive Vice President
Adrien L Bennings PhD, Chief Financial Officer
Heather Lovato, Finance Director
Gay Goettsch, Director of Human Resources
Norman Kia, Chief Information Officer

Representing Clovis Community College Foundation:

Clay Bracken, Treasurer, Foundation Board
Dr. Becky Rowley, President of the College
Natalie Daggett, Director Institution Advancement/Executive Director

Representing Jaramillo Accounting Group LLC (JAG):

Audrey J. Jaramillo, CPA, CFE, Partner
Scott Eliason, CPA, Partner (telephone)

Clovis Community College prepared these financial statements.

OTHER INFORMATION



CORRECTIVE ACTION PLAN

January 29, 2019

US Department of Education

Clovis Community College respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm:

**Jaramillo Accounting Group LLC
4700 Lincoln Rd. NE
Albuquerque, New Mexico 87109**

Audit period:

June 30, 2018

The findings from the June 30, 2018 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2018-001 CHECK FRAUD

RECOMMENDATION

In order to strengthen preventative controls in the cash transaction cycle, we recommend the College work with the bank to implement positive pay. Positive pay is an automated fraud detection tool offered by the Cash Management Department of most banks. In its simplest form, it is a service that matches the account number, check number, and dollar amount of each check presented for payment against a list of checks previously authorized and issued by the College.

MANAGEMENT RESPONSE

Corrective Action: Management insured proper action and notification of the fraudulent activity after the fraudulent checks were discovered. Positive Pay was implemented on July 11, 2018 with New Mexico Bank and Trust and all funds were returned to Clovis Community College. This security measure detects and virtually eliminates check fraud before checks are paid by comparing presented checks to the checks issued before payment. Having this added measure of protection in place reinforces our internal control processes. We expect no recurrences of such activity in the future.

Due Date of Completion: July 11, 2018

Responsible Party: Director of Finance



2018-002 SEGREGATION OF DUTIES OVER CASH RECEIPTS

RECOMMENDATION

We recommend the College reassess the duties of those employees handling cash to ensure these employees are not collecting cash, reconciling cash to the general ledger, and depositing the cash.

MANAGEMENT RESPONSE

Corrective Action: Management agrees that during a period of position change over and hiring of positions that there was an overlap of duties between collecting cash, reconciling cash to the general ledger, and depositing the cash. We have reassessed the segregation of duties to ensure that these processes are delineated during all periods, including staffing changes. The following changes have been implemented and communicated to the staff accordingly: Cashier/Student Accounts collects cash/receipts payments, Accountant I/Accounts Receivable reconciles cash to the general ledger, and Assistant to the Director deposits the cash.

Due Date of Completion: October 19, 2018

Responsible Party: Director of Finance

FINDINGS - FEDERAL AWARD PROGRAMS AUDIT

SIGNIFICANT DEFICIENCY/NON-COMPLIANCE

2018-003 (PREVIOUSLY 2017-001) STUDENT FINANCIAL ASSISTANCE–ENROLLMENT REPORTING

RECOMMENDATION

We recommend the College continue to develop and implement policies and procedures to ensure that all students with enrollment changes are reported timely and accurately to NSLDS as required. There should be a review each semester to ensure that all students needing to be reported have been.

MANAGEMENT RESPONSE

Corrective Action: Management agrees these students were not properly reported to the NSLDS. In several cases, the students were not enrolled in the subsequent semester, and NSLDS converted these records to withdrawn. At some point during the year, staff looked at records for numerous students and conferred degrees after enrollment had ended. These did not get reported as the reports were run based on currently enrolled students and these students were not picked up. In the future, reports will be run using the new process (not limiting graduates solely to currently enrolled students), which should correct this for future semesters.

Responsible Person(s): Director of Financial Assistance, Financial Assistance Coordinator.

Timeline of Corrective Actions: End of Fall 2018 semester



If the US Department of Education has questions regarding this plan, please call me at 575-769-4130.

Sincerely yours,

A handwritten signature in black ink that reads "Adrien L. Bennings". The signature is written in a cursive style and is placed on a light gray rectangular background.

Adrien L. Bennings PhD
Vice President of Administration & Finance