Northern New Mexico College

Financial Statements,
Independent Auditor's Report, and
Single Audit Reporting Package

June 30, 2019

REDW LLC
CPAs | Advisors

Northern New Mexico College

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Northern New Mexico College

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Northern New Mexico College
Official Roster
Year Ended June 30, 2019

Board of Regents

Ex Officio Members	
The Honorable Michelle Lujan Grisham	Governor of the State of New Mexico
Ryan Stewart, PhD	Cabinet Secretary, Public Education Department of NM
Kate O'Neill, PhD	Cabinet Secretary, Higher Education Department of NM
Appointed Members	
Michael A. Martin	President
Erica Rita Velarde, PE	Vice President
Porter Swentzell, PhD	Secretary/Treasurer
Damian L. Martinez, Esq.	Member
Tomas Rodriguez	Member (Student)

Principal Administrative Officials

Richard J. Bailey, Jr., Ph.D.	President
Ricky A. Bejarano, CPA, CGMA	Vice President for Finance and Administration

Foundation Board Members

Ex Officio Members	
Richard J. Bailey, Jr., Ph.D.	President
Ricky A. Bejarano, CPA, CGMA	Vice President for Finance and Administration
Appointed Members	
Melissa Montoya	President
Alfred Herrera	Chair-Elect/Vice President
Tania Sanchez	Secretary/Treasurer
Catherine Rosacker	Director
Dr. Dorian Newton	Director
David Eyler	Director

Principal Administrative Officials

Vacant (7/1/2018 – 10/31/2018)	Executive Director
Jeannie Kovacs (11/1/2018 – 2/28/2019)	Executive Director
Vacant (3/1/2019 – 6/30/2019)	Executive Director

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Independent Auditor's Report

To the Board of Regents
Northern New Mexico College
and
Mr. Brian S. Colón, ESQ.
New Mexico State Auditor

Report on the Financial Statements

We were engaged to audit, the accompanying financial statements of the business-type activities and the discretely presented component unit of Northern New Mexico College (the "College"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We were also engaged to audit the budgetary comparisons presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2019, 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. Because of the matter described in the "Basis for Disclaimer of Opinion on Business-Type Activities" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the business-type activities.

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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. 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.

Except for the matter described in the "Basis for Disclaimer of Opinion on Business-Type Activities" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Business-Type Activities	Disclaimer
Discretely Presented Component Unit	Unmodified

Basis for Disclaimer of Opinion on Business-Type Activities

The College could not provide adequate supporting documentation for certain transactions and balances for its business-type activities during fiscal year ended June 30, 2019, because of incomplete accounting records, reconciliations and supporting documentation. It was impracticable to extend our audit procedures sufficiently to determine the extent to which the College's business-type activities financial statements and the budgetary comparisons presented as supplementary information as of and for the year ended June 30, 2019, may have been affected by these matters.

Disclaimer of Opinion

Because of the significance of the matters described in the "Basis for Disclaimer of Opinion on Business-Type Activities" paragraph, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the College's business-type activities and the budgetary comparisons presented as supplementary information. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit, as of June 30, 2019, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the College are intended to present the net position, changes in net position and cash flows, where applicable, of only that portion of the State of New Mexico that is attributable to the transactions of the College and its discretely presented component unit. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2019, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of the net pension liability and schedule of contributions, notes to required supplementary information, and schedule of proportionate share of the net OPEB liability and schedule of contributions, as listed in the table of contents, 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 were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because of the matters discussed in the "Basis for Disclaimer of Opinion on Business-type Activities" paragraph above. We do not express an opinion or provide any assurance on the information.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements and budgetary comparisons that collectively comprise the College's basic financial statements. The schedule of deposit accounts, schedule of pledged collateral and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of deposit accounts, schedule of pledged collateral and schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We were unable to subject such information to the auditing procedures applied in the audit of the basic financial statements, certain additional procedures, or other additional procedures in accordance with auditing standards generally accepted in the United States of America because of the significance of the matters described in the “Basis for Disclaimer of Opinion on Business-Type Activities” paragraph above. Accordingly, we do not express an opinion or provide any assurance on this information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of the College’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the College’s 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.

REDW LLC

Albuquerque, New Mexico
December 20, 2019

Financial Statements

Northern New Mexico College
Statement of Net Position
June 30, 2019

	Primary Institution	Component Unit
Assets		
Current assets		
Cash and cash equivalents	$ 2,634,575	$ 654,160
Restricted cash	-	243,900
Receivables, net of allowances for uncollectibles		
Grants and contracts	1,517,320	-
Student	655,418	-
Federal Perkins loans	73,752	
Other	1,358,788	4,000
Due from component unit	602,901	-
Inventories	71,087	-
Prepaid expenses	6,962	-
Total current assets	6,920,803	902,060
Noncurrent assets		
Endowment investments	-	3,899,391
Capital assets, not being depreciated	13,014,183	-
Capital assets, being depreciated, net	22,162,417	-
Total noncurrent assets	35,176,600	3,899,391
Total assets	42,097,403	4,801,451
Deferred Outflows of Resources		
Deferred outflows related to pension liability	9,314,007	-
Deferred outflows related to OPEB liability	590,390	-
Total deferred outflows of resources	9,904,397	-

The accompanying notes are an integral part of these financial statements.

Northern New Mexico College

Statement of Net Position — continued

June 30, 2019

	Primary Institution	Component Unit
Liabilities		
Current liabilities		
Accounts payable	$ 1,336,077	$ -
Accrued wages and other benefits	936,530	-
Accrued compensated absences	363,652	-
Loss contingency	250,000	-
Due to primary institution	-	602,901
Unearned revenue	175,719	243,900
Total current liabilities	3,061,978	846,801
Noncurrent liabilities		
Funds held for others	113,776	-
OPEB liability	7,889,220	-
Net pension liability	34,773,819	-
Total noncurrent liabilities	42,776,815	-
Total liabilities	45,838,793	846,801
Deferred Inflows of Resources		
Deferred inflows related to pension liability	1,466,003	-
Deferred inflows related to OPEB liability	2,038,429	-
Total deferred inflows of resources	3,504,432	-
Net Position		
Net investment in capital assets	35,176,600	-
Restricted		
Nonexpendable		
Endowments	-	3,899,391
Unrestricted (deficit)	(32,518,025)	55,259
Total net position	$ 2,658,575	$ 3,954,650

The accompanying notes are an integral part of these financial statements.

Northern New Mexico College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

	Primary Institution	Component Unit
Operating Revenues		
Tuition and fees, net of scholarship allowances of $0	$ 4,212,222	$ -
Federal grants and contracts	5,626,497	-
State and local grants and contracts	984,514	-
Sales and services of auxiliary enterprises, net of scholarship allowances of $0	572,406	-
Other grants and contracts	369,870	-
State land and permanent fund income	235,085	-
Contributions and donations	-	402,016
Other	177,293	-
Total operating revenues	12,177,887	402,016
Operating Expenses		
Educational and general		
Instructional support	6,329,737	-
Instruction	6,434,937	-
Student aid grants and stipends	4,767,448	-
Operations and maintenance support	2,448,076	-
Student services	2,020,899	-
Academic support	1,160,093	-
Athletics	550,823	-
Public service	443,153	-
Student activities	90,562	-
Scholarships	-	156,232
Other	-	269,903
Auxiliary enterprises	930,999	-
Depreciation	1,367,910	-
Total operating expenses	26,544,637	426,135
Operating loss	(14,366,750)	(24,119)
Nonoperating Revenues		
State appropriations	10,739,000	-
Capital appropriations	952,538	-
Investment earnings	-	206,885
Total nonoperating revenues	11,691,538	206,885
Change in net position	(2,675,212)	182,766
Net position, beginning of year	1,827,317	3,972,381
Cumulative effect of correction of error, net	3,506,470	(200,497)
Net position, beginning of year, as restated (see Notes 15 and 22)	5,333,787	3,771,884
Net position, end of year	$ 2,658,575	$ 3,954,650

The accompanying notes are an integral part of these financial statements.

Northern New Mexico College

Statement of Cash Flows

For the Year Ended June 30, 2019

	Primary Institution
Cash flows from operating activities	
Tuition and fees	$ 2,703,226
Grants and contracts	6,222,079
Sales and services of auxiliary enterprises	572,406
State land and permanent fund income	235,085
Other operating receipts	177,293
Payments for employee wages and benefits	(11,336,487)
Payments to suppliers for goods and services	(9,505,759)
Net cash used by operating activities	(10,932,157)
Cash flows from noncapital financing activities	
State appropriations	10,739,000
Deposits held in custody for others received	9,010
Net cash provided by noncapital financing activities	10,748,010
Cash flows from capital and related financing activities	
Capital appropriations	952,538
Acquisition of capital assets	(597,846)
Net cash provided by capital and related financing activities	354,692
Net increase in cash and cash equivalents	170,545
Cash and cash equivalents, beginning of year	2,464,030
Cash and cash equivalents, end of year	$ 2,634,575

The accompanying notes are an integral part of these financial statements.

Northern New Mexico College
Statement of Cash Flows — continued
For the Year Ended June 30, 2019

	Primary Institution
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	$ (14,366,750)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	1,367,910
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Grants and contracts receivables	(787,892)
Student receivables	(237,933)
Federal Perkins loans receivable	16,954
Other receivables	(1,288,017)
Inventories	167,331
Due from component unit	(150,969)
Deferred outflows of resources related to pension liability	928,781
Deferred outflows of resources related to OPEB liability	(432,563)
Accounts payable	421,618
Accrued wages and other benefits	203,095
Accrued compensated absences	13,237
Unearned revenue	29,090
Deferred inflows of resources related to pension liability	(1,057,454)
Deferred inflows of resources related to OPEB liability	259,577
Pension and OPEB liabilities	3,981,828
Net cash used by operating activities	$ (10,932,157)

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – NORTHERN NEW MEXICO COLLEGE

1) Organization and Summary of Significant Accounting Policies

Creation and Purpose of Entity
Northern New Mexico College (the "College") was created under Section 21-8-1 New Mexico Statutes Annotated (NMSA) 1978, Article XII, Section 11 of the New Mexico State Constitution. Under Article XII, Section 13 of the New Mexico Constitution, the College is governed by a five-member Board of Regents appointed by the Governor, with the advice and consent of the Senate, for six-year terms.

The College was originally founded in 1909 by the New Mexico Territorial Legislature. The original mission of the College was to teach English to Spanish speaking teachers in the area. Technical-vocational programs were instituted during the 1960's. In 1969, the College became a full-time post-secondary technical-vocational school. In 1977, the New Mexico Legislature passed enabling legislation to merge the College and the Northern Branch of the University of New Mexico. In 2005, the College changed its name and it began offering four-year degree programs.

The College is a two-year and four-year degree granting institution of higher learning. The College offers degrees in biology, business administration, elementary education, engineering, environmental science, information technology, and nursing. The College's main campus is located in Española, New Mexico, and its branch campus is located in El Rito, New Mexico.

Reporting Entity
The College is part of the primary government of the State of New Mexico; however, these basic financial statements are intended to present the net position, changes in net position and cash flows, where applicable, of only that portion of the State of New Mexico that is attributable to the transactions of the College and its discretely presented component unit. They do not purport to and do not, present fairly the net position of the State of New Mexico as of June 30, 2019, and the changes in net position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements of the College include all funds and activities over which the College has oversight responsibility, including its discretely presented component unit, the Northern New Mexico College Foundation (the "Foundation").

An agreement between the Foundation and the College was entered into on March 12, 1997. This agreement formalizes the relationship between the Foundation and the College and establishes the sole purpose of the Foundation as raising supplementary funds for the College.

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 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.

GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*, GASB Statement 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement 80, *Blending Requirements for Certain Component Units*, provides guidance in determining whether certain organizations are component units and the presentation of these component units in the financial statements. Criteria for determining whether related organizations are component units include the following circumstances:

- Appointment of a voting majority of an organization's governing authority and the ability of the College to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the College, or;
- An organization is fiscally dependent on the College and provides specific financial benefits to, or imposes specific financial burdens on, the College, or;
- It is determined that it would be misleading to exclude the related organization from the College's financial statements because of the nature of the entity or because the entity is closely related to or financially integrated with the College.

Based on the criteria set forth in GASB Statements 14, 39, 61, and 80, the Foundation has been determined to be a component unit of the College.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
The College and the Foundation 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 35, Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB 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. However the College has not presented the Management's

Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be a part of, the basic financial statements (Management's Discussion and Analysis is a narrative of the financial highlights for the year).

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. All significant intra-entity transactions have been eliminated.

Budget
Operating budgets are submitted annually for approval to the Board of Regents, the New Mexico Higher Education Department (HED), and the New Mexico Department of Finance and Administration – State Budget Division (DFA). These state agencies develop consolidated funding recommendations for all higher education institutions, which are considered for appropriation during the annual legislative sessions. In general, unexpended state appropriations to the College do not revert at the end of each fiscal year. All state appropriations are accounted for separately in the accounting system.

The legal level of budgetary control is at the fund type and functional level, in accordance with NMAC 5.3.4.10. There were no violations in fiscal year 2019. The modified accrual basis of accounting is used for budgetary comparison. If expenditures by budgetary control line are expected to exceed the approved budget, the College is required to submit a budget adjustment request which has been approved by the Board of Regents to HED, which is subsequently forwarded to DFA.

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, deferred outflow of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

Receivables
The College has the following types of receivables.

Grants and Contracts and Other Receivables. Grants and contracts and other receivables are amounts due from the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the College's grant awards. Grants and contracts receivables are recorded net of estimated uncollectible amounts.

Student Account Receivable. The College records student accounts receivable at the time a student registers for classes. Provisions for uncollectible student accounts are recorded to maintain an adequate allowance for probable losses.

Loan Receivables. Loan receivables are amounts due from Perkins loans made by the College to students. Loan receivables are recorded net of estimated uncollectible amounts.

Inventories
Inventories are generally stated at the lower of cost (average cost) or market. Cost is determined by using the retail method for bookstore items and the average cost method for other items. Inventories consist of items which are available for resale to individuals and other College departments.

Capital Assets
Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Pursuant to the College's capitalization policy, capital assets with a unit cost greater than $5,000 are capitalized. The College includes software purchased with a piece of equipment in the cost of capitalization. Software purchased for internal use is capitalized and depreciated. Renovations to buildings, infrastructure, or land improvements that significantly increase the value, increase the productivity, or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation for the College is computed using the straight-line method over the estimated useful lives of the assets. Generally, buildings and improvements are depreciated over 40 years; certain types of infrastructure are depreciated over 25 years; library materials including books are depreciated over 10 years; and equipment is depreciated over 5 years. Land is not depreciated.

Compensated Absences
Accumulated annual leave is reported as a liability. Annual leave earned is immediately vested unless the employee is in a six month probationary period, but only 192 hours of annual leave are available for carryover at year-end.

Unearned Revenue
Revenue for each academic session is reported within the fiscal year during which the session is completed. Receipts for the summer session beginning in May, and amounts

charged to the accounts of students pre-registering for fall semester, are reported as unearned revenue in the accompanying financial statements.

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

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

Net Position
The College's net position is classified as follows:

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

Restricted Net Position—Nonexpendable. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. As of June 30, 2019, the College does not have restricted net position – nonexpendable balances.

Restricted Net Position—Expendable. Restricted expendable net position consists of resources that the College is legally or contractually obligated to spend in accordance with imposed restrictions by third parties. As of June 30, 2019, the College does not have restricted net position–expendable balances.

Unrestricted Net Position. Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the Board of Regents to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. As of June 30, 2019, the College is reporting a deficit balance of $32,518,025 in unrestricted net position.

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

Classification of Revenues

The College has classified its revenues as either operating or nonoperating revenues, according to the following criteria:

Operating Revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as 1) student tuition and fees, net of scholarship allowances, 2) most federal, state and local grants and contracts and federal appropriations, and 3) interest on institutional student loans and other income.

Tuition and Fees. Student tuition and fees are recorded as revenue during the fiscal year in which the session is completed. The Board of Regents determines the rates to be charged to students. The College was unable to determine the amount of scholarship allowances reducing student tuition and fees for fiscal year 2019.

Federal, State and Other Grant and Contract Revenue. Grant and contract revenues are recognized at the time the expenditure is incurred, if the expenditure of funds is the prime factor for determining eligibility for reimbursement.

Nonoperating Revenues. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Fund and Governmental Entities That use Proprietary Fund Accounting,* and GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

State Appropriations

Unexpended appropriations generally do not revert to the State of New Mexico at the end of the year and are available to the College in subsequent years.

Tax Status
As a post-secondary college, the College's income is exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code to the extent the income is derived from essential governmental functions.

New GASB Accounting Pronouncements
The following GASB pronouncements have been issued, but are not yet effective, at June 30, 2019:

- GASB Statement No. 84, *Fiduciary Activities.*
- GASB Statement No. 87, *Leases.*
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.*
- GASB Statement No. 90, *Majority Equity Interests—an Amendment of GASB Statements No. 14 and No. 61.*
- GASB Statement No. 91, *Conduit Debt Obligations.*

The adoption of these pronouncements should not significantly impact the College's financial statements. The College will implement the new GASB pronouncements no later than the required implementation date.

2) Cash

A summary of cash as of June 30, 2019, is as follows:

Cash on hand	$	2,541
Deposits with financial institutions		2,632,034
Total cash	$	2,634,575

Custodial Credit Risk
The custodial credit risk for deposits is the risk that, in the event of a depository institution failure, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

New Mexico statutes, Section 6-10-16 and 6-10-17 NMSA 1978, require that financial institutions with public monies on deposit pledge collateral in an amount not less than 50 percent of the public monies held on deposit that are not insured by the federal deposit insurance corporation.

At June 30, 2019, the College's deposits had carrying amounts of $2,632,034 and bank balances of $2,948,680.

Of the bank balances, $500,000 was covered by Federal Depository Insurance Corporation (FDIC) coverage at June 30, 2019, and $1,705,432 was covered with securities held by the financial institution in the College's name. The College has no policy regarding custodial credit risk for deposits. The College's uninsured deposits are as follows:

	Century Bank	New Mexico Bank and Trust	Total
Total amount on deposit	$ 2,489,412	$ 459,268	$ 2,948,680
Less FDIC coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	2,239,412	209,268	2,448,680
50% collateral requirement	1,119,706	104,634	1,224,340
Pledged securities, fair value	1,360,229	345,203	1,705,432
Pledged in excess of requirement	$ 240,523	$ 240,569	$ 481,092

3) Investments

Beneficial Interest

The New Mexico Land Grant Permanent Fund (LGPF) was originally established pursuant to the Enabling Act for New Mexico passed by the U.S. Congress on June 20, 1910 (which encompassed the Ferguson Act of 1898) and was made the law of New Mexico by its reference in the New Mexico Constitution. The Enabling Act (and its acceptance in the New Mexico Constitution) set forth certain parcels of land granted by the United States in trust to the state for the purposes of establishing a permanent fund, which could only be used for the purposes set out in the Enabling Act, namely, the funding of schools and state institutions throughout New Mexico. Highly restrictive criteria governing permitted uses of the assets of the LGPF are specifically prescribed in the New Mexico Constitution. The beneficiaries of the LGPF are also specifically prescribed in the New Mexico Constitution and in state statute. The College is one of the specific entities identified that has a beneficial interest in the LGPF.

On July 1, 2016 the State of New Mexico (State) changed its policy regarding the presentation of the College's beneficial interest in the LGPF within the State's Comprehensive Annual Financial Report (CAFR). As a result of the State's change in policy the College no longer presents its beneficial interest in the LGPF in its stand-alone statement of net position. The income received from the beneficial interest by the College continues to be presented in its stand-alone statement of revenues, expenses, and changes in net position. For more information regarding the LGPF, please refer to the New Mexico State Investment Council's financial statements at http://www.sic.state.nm.us/sic-annual-audit-reports.aspx.

As an entity with a beneficial interest, the College receives monthly distributions of income from the LGPF as required by law. The College's beneficial interest and income received from this beneficial interest as of and for the year ended June 30, 2019, was as follows:

Balance of the College's Beneficial Interest	$	3,486,199
Income received from the College's beneficial interest in the LGPF		153,684

The amount of income received from the College's beneficial interest in the LGPF is recorded in the accompanying financial statements under state land and permanent fund income.

4) Receivables

The various sources of receivables at June 30, 2019, were as follows:

Grants and Contracts Receivable

Amounts due from state and local agencies, as well as amounts due from the federal government represent expenditures to be reimbursed under various cost-sharing agreements. It is the opinion of management that no allowance for doubtful accounts was needed.	$	1,517,320

Student Accounts Receivable

Amounts due from students are for tuition and fees not covered by financial aid.		
Total due	$ 1,873,399	
Allowance for doubtful receivables	(1,217,981)	
Student accounts receivable, net		$ 655,418

Loan Receivable

Federal Perkins loans	73,752

Other Receivables

Other receivables	1,358,788
Total receivables, net	$ 3,605,278

5) Inventories

Inventories at June 30, 2019, were as follow:

Bookstore inventories	$ 63,605
Cafeteria inventories	7,482
	$ 71,087

6) Capital Assets

A summary of changes in capital assets for the year ended June 30, 2019, is as follows:

	Balance at July 1, 2018, as restated	Additions	Deletions/ Adjustments	Balance at June 30, 2019
Capital assets not being depreciated				
Art	$ 28,500	$ 26,796	$ -	$ 55,296
Construction in progress	2,522,897	279,761	-	2,802,658
Land and improvements	10,156,229	-	-	10,156,229
Total capital assets not being depreciated	12,707,626	306,557	-	13,014,183
Capital assets being depreciated				
Automobiles	450,714	12,500	(20,095)	443,119
Building and improvements	58,061,111	262,463	-	58,323,574
Furniture, fixtures and equipment	3,070,075	16,326	-	3,086,401
Library materials	3,197,924	-	-	3,197,924
Total capital assets being depreciated	64,779,824	291,289	(20,095)	65,051,018
Total capital assets	77,487,450	597,846	(20,095)	78,065,201
Less accumulated depreciation for				
Automobiles	403,328	16,763	(20,095)	399,996
Building and improvements	35,764,508	1,022,830	-	36,787,338
Furniture, fixtures and equipment	2,273,817	305,001	-	2,578,818
Library materials	3,099,133	23,316	-	3,122,449
Total accumulated depreciated	41,540,786	1,367,910	(20,095)	42,888,601
Total capital assets being depreciated, net	23,239,038	(1,076,621)	-	22,162,417
Total capital assets, net	$ 35,946,664	$ (770,064)	$ -	$ 35,176,600

There were no outstanding construction commitments at June 30, 2019.

7) Compensated Absences

A summary of changes in compensated absences for the year ended June 30, 2019, is as follows:

	Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019	Due within One Year
Compensated absences	$ 350,415	$ 456,186	$ (442,949)	$ 363,652	$ 363,652

8) Operating Leases

The College leases certain office space and office equipment under lease agreements with terms ranging from one year to five years. Expenditures for operating leases for the year ended June 30, 2019, were $166,956. Future minimum lease payments under these operating leases are as follows:

2020	$ 169,411
2021	32,373
	$ 201,784

9) Retirement Plans

The College offers three retirement plans. All eligible employees working more than 25% full-time equivalent are required to participate in one of the first two plans described below. Student employees do not participate in these plans.

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

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

Return to Work Program. Effective January 1, 2002, the ERB implemented a retiree Return-To-Work (RTW) program whereby the College is required to make regular employer contributions on eligible retiree wages. As of July 1, 2011, House Bill 129 was passed requiring returning retirees to contribute the employee portion.

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

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

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least 65 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.

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%.

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

A summary of member and employer contributions to the Educational Retirement Board is provided below:

	2019	2018
Employees earning $20,000 or less		
College contributions	**13.90%**	13.90%
Employee contributions	**7.90%**	7.90%
Employees earning more than $20,000		
College contributions	**13.90%**	13.90%
Employee contributions	**10.70%**	10.70%
College's contributions to ERB	**$ 1,128,359**	$ 1,080,854
Employee contributions to ERB	**$ 867,233**	$ 824,834

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal year ended June 30, 2019, the College paid employee and employer contributions of $867,233 and $1,128,359 which equal the amount of the required contributions.

A summary of member and employer contributions to the Educational Retirement Board for the Return to Work program is provided below:

	2019	2018
Employees earning $20,000 or less		
College contributions	**13.90%**	13.90%
Employee contributions	**7.90%**	7.90%
Employees earning more than $20,000		
College contributions	**13.90%**	13.90%
Employee contributions	**10.70%**	10.70%
Employee contributions to ERB for Return to Work Program	**$ 12,159**	$ 6,509
College's contributions to ERB for Return to Work Program	**$ 15,825**	$ 9,117
College's contributions to ERB for PERA Return to Work Program	**$ 50,741**	$ 36,151

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the College reported a liability of $34,773,819 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018, using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2018, actuarially determined. At June 30, 2018, the College's proportion was 0.29243% which was an increase of 0.01470% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the College recognized pension expense of $3,488,565. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actuarial experience	$ 25,379	$ 661,802
Change in assumptions	7,166,720	-
Net difference between projected and actual earnings on pension plan investments	76,980	-
Changes in proportion and differences between College contributions and proportionate share of contributions	847,460	804,201
College contributions subsequent to the measurement date	1,197,468	-
Total	$ 9,314,007	$ 1,466,003

The $1,197,468 reported as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date—will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending June 30,	
2020	$ 3,760,575
2021	2,751,338
2022	137,610
2023	1,013
Total	$ 6,650,536

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

Inflation	2.50%
Salary Increases	3.25% Composition: 2.50% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service.
Investment Rate of Return	7.25%, compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75% real rate of return.

Average of Expected Remaining Service Lives				
Fiscal year	2017	2016	2015	2014
Service life in years	3.35	3.77	3.92	3.88

Mortality	**Healthy males:** Based on the RP-2000 Combined Mortality Table with White Collar adjustments, no set back, generational mortality improvements with Scale BB from the table's base year of 2000.
	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.

Mortality — continued	**Disabled males:** Based on RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. **Disabled females:** Based on RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. **Active members:** Based on RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.
Retirement Age	Experience based on table of age and service. Adopted by NMERB on June 12, 2017, in conjunction with the six-year experience study for the period ended June 30, 2016.
Cost-of-Living Increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.
Payroll Growth	3.0% per year (with no allowance for membership growth.
Contribution Accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.
Disability Incidence	Approved rates applied to eligible members with at least 10 year of service.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount rate. A single discount rate of 5.69% was used to measure the total ERB pension liability as of June 30, 2018. This rate is .21% less than the 5.90% discount rate used for June 30, 2017.

The June 30, 2018, 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 3.62%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine the June 30, 2018, single discount rate assumed that plan member and employer 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.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following table presents the College's proportionate share of the net pension liability calculated using the discount rate of 5.69%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is that is one-percentage-point lower (4.69%) or one-percentage-point higher (6.69%) than the current rate.

1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
$ 45,192,647	$ 34,773,819	$ 26,272,706

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

Payables to the Pension Plan
The College remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2019, there were no contributions due and payable for the College.

Alternative Retirement Program
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 two administrators approved to offer ARP plans to eligible participants are Teachers Insurance and Annuity Association (TIAA) 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. Certain 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.

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 reported in the Statement of Changes in Fiduciary Net Position include amounts remitted on behalf of both the ARP defined contribution plan and the defined benefit plan. The 3% contribution remitted for fiscal year ended June 30, 2019, was $6,406.

10) New Mexico Retiree Health Care Authority Plan

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

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

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

Employees covered by benefit terms. June 30, 2018, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan Membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
Total	156,025

Active Membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
Total	93,349

Contributions. Employer and employee contributions to the Fund total 3% for nonenhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the College were $179,081 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.
At June 30, 2019, the College reported a liability of $7,889,220 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The College's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the College's proportion was 0.18143% percent.

For the year ended June 30, 2019, the College recognized OPEB expense of $76,656. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 467,092
Changes of assumptions	-	1,472,882
Net difference between actual and projected earnings on OPEB plan investments	-	98,455
Changes in proportion	411,309	-
Contributions made after the measurement date	179,081	-
Total	$ 590,390	$ 2,038,429

The College's contributions to the Fund made subsequent to the measurement date of $179,081 will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal year ending June 30,	
2020	$ (430,779)
2021	(430,779)
2022	(430,779)
2023	(312,824)
2024	(21,959)
Total	$ (1,627,120)

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

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

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

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

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

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

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

1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
$ 9,547,914	$ 7,889,220	$ 6,581,878

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

1% Decrease	Current Discount Rate	1% Increase
$ 6,669,157	$ 7,889,220	$ 8,845,777

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

Payable changes in the net OPEB liability. At June 30, 2019, the College reported no liability for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

11) Risk Management

New Mexico Statutes (Section 15-7-2 NMSA 1978) require Risk Management Division (RMD) to be responsible "for the acquisition and administration of all insurance purchased by the State." Various statutes allow RMD to insure, self-insure and use a combination of both for all risks administered by it. RMD operates under the supervision of the Secretary of New Mexico, General Services Department.

The College is exposed to various risks of loss related to general, automobile and aircraft liabilities, including those relating to civil rights (torts); theft of, damage to and destruction of state property assets; errors and omissions; injuries to employees; group insurance; and natural disasters, all of which are insured against by participation in the public entity risk pool described above, subject to limits of coverage set by RMD. All employees of the College are covered by a blanket fidelity bond up to $5,000,000, with a $1,000 deductible per occurrence, by the State of New Mexico for the period July 1, 2018 through June 30, 2019. The College is currently a party to litigation claims in the ordinary course of business and which is anticipated to be within the coverage provided by RMD.

12) Related-Party Transactions

The Northern New Mexico College Foundation (the Foundation) is a not-for-profit corporation established to acquire and manage charitable gifts, including endowed funds, to be used solely for the benefit of the College. The following transactions occurred during fiscal year ended June 30, 2019, between the College and the Foundation. The Foundation does not issue separate financial statements.

	Foundation to College	College to Foundation
Operating costs	$ -	$ 228,806
Scholarships	156,232	-
Total	$ 156,232	$ 228,806

13) Intra-Agency Disclosure

Since fiscal year 2011, the College has been providing instruction and general funding to the Athletics Department to offset expenses incurred by Athletics. In fiscal year 2019, the College funded the Athletic Department with instruction and general funding in the amount of $32,876 which was needed to offset unfunded costs incurred.

14) Commitments and Contingencies

The various federal and state grants and programs are subject to audit by governmental agencies. These audits may result in disallowance of claimed reimbursable expenditures under rules and regulations of the various grants and programs. Management believes that the amounts of potential disallowances, if any, will not be material to the financial position or the operations of the College.

The College is involved in litigation related to employment through the RMD. As each claim is reviewed on a claim by claim basis, the impact to the College is unknown.

The College is involved in litigation related to a Whistleblower Protection Act claim. The case is currently in the New Mexico Court of Appeals. The College has recorded a total amount of $250,000 as a loss contingency related to this claim.

15) Restatement of Beginning Net Position

Net position as of July 1, 2018, has been restated due to corrections in previously reported amounts. Capital asset acquisitions in the amount of $3,305,973 from previous years, previously not reported in the financial statements, were identified during fiscal year 2019. They have been recorded as a restatement of beginning balances to capital assets and net position. In addition, $200,497 owed by the Foundation from previous fiscal years was also included as a restatement of beginning balances to due from Foundation and net position.

The following table presents the impact of the corrections to previously reported amounts on the College's net position:

	Net Position	Capital Assets, Net	Due from Foundation
Balances at June 30, 2018, as previously reported	$ 1,827,317	$ 32,640,691	$ 251,435
Correction of error	3,506,470	3,305,973	200,497
Balances at July 1, 2018, as restated	$ 5,333,787	$ 35,946,664	$ 451,932

16) GASB Statement No. 77, *Tax Abatement Disclosures*

Northern New Mexico College and Northern New Mexico College Foundation are not subject to the requirements of GASB Statement No. 77, *Tax Abatement Disclosures.*

NOTES TO THE FINANCIAL STATEMENTS – NORTHERN NEW MEXICO COLLEGE FOUNDATION

17) Summary of Significant Accounting Policies

Creation and Purpose of Entity

The Northern New Mexico College Foundation (the "Foundation") is a legally separate, tax-exempt component unit of the Northern New Mexico College (the "College"). The Foundation acts primarily as a fund raising organization to supplement the resources that are available to the College in support of its programs. The twelve member Board of the Foundation consists of community members and friends of the Foundation as well as the Executive Director of the Foundation and the President of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of its resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by donors. Because these restricted resources held by the Foundation can be used by, or for the benefit of, the College only, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. The Foundation does not have component units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
As a component unit of the College, the Foundation presents its financial statements in accordance with accounting standards generally accepted in the United States as established by the Governmental Accounting Standards Board (GASB).

The Foundation applies the business-type activity accounting and the Foundation's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The Foundation does not have a legally adopted budget; and therefore, does not present budgets.

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

Receivables
The Foundation has only pledged receivables.

Promises to give. Contributions and promises to give are recognized as revenues when received or pledged. If there are no time or donor restrictions placed on these contributions and promises to give, the revenue is reflected as an increase in unrestricted net position; however, if such restrictions do exist, the revenue is classified as restricted expendable or restricted unexpendable, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net position is reclassified to unrestricted net position and reported in the statement of revenues, expenses and changes in net position as "net position released from restrictions." The carrying amount of unconditional promises to give to be received in less than one year approximates the fair value because of the short maturity of those financial instruments. All promises to give expected to be received in more than one year are computed using the present value technique applied to anticipated cash flows.

Allowance for Doubtful Accounts
Generally accepted accounting principles (GAAP) include the use of the valuation method for estimating the allowance for doubtful accounts. The Foundation uses the

direct write-off method in recognizing uncollectible pledges receivable. Under this method, pledges are charged to operations when they are deemed by management to be uncollectible. The Foundation's use of the direct write-off method does not result in a material change to the financial statements in comparison to the valuation method.

<u>Investments</u>
Investments are presented in the financial statements in accordance with GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

The Foundation also reports investments under the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. Fair value is the amount that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement for financial reporting purposes. The statement also provides guidance for applying fair value to certain investments and disclosures.

Donor restricted endowment disbursements of the net appreciation of investments are permitted in accordance with the Uniform Management of Institutional Funds Act (46-9-1 to 46-9-12 NMSA 1978), except where a donor has specified otherwise.

<u>Unearned Revenue</u>
Donations for each academic session are reported within the fiscal year during which the donor designates the revenue. Donations for the subsequent fiscal year are reported as unearned revenue in the accompanying financial statements.

<u>Net Position</u>
The Foundation's net position is classified as follows:

Restricted Net Position—Nonexpendable. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted Net Position—Expendable. Restricted expendable net position consists of resources that the Foundation is legally or contractually obligated to spend in accordance with imposed restrictions by third parties, such as donors.

Unrestricted Net Position. Unrestricted net position represents resources whose use is not limited or restricted by donors. Unrestricted net position has risen from exchange transactions and receipt of unrestricted contributions.

Classification of Revenues
The Foundation has classified its revenues as either operating or nonoperating revenues, according to the following criteria:

Operating Revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as unrestricted gifts. Revenue on contracts and grants are recognized to the extent that the underlying exchange transaction has occurred.

Nonoperating Revenues. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, investment income, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9*, Reporting Cash Flows of Proprietary and Nonexpendable Trust Fund and Governmental Entities That use Proprietary Fund Accounting,* and GASB Statement No. 34 *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* such as investment income. Gifts and contributions are recognized when all applicable eligibility requirements have been met.

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

Contributed Facilities and Services
Contributed facilities and services represent the estimated fair rental value of office space and general corporate services provided. Contributed facilities are provided on a month-to-month basis. Contributed facilities and services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services are recorded as in-kind expense, and are included with the other expenses in the accompanying financial statements.

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. Actual results could differ from those estimates. Significant estimates of the Foundation include the allowance for promises to give not considered collectible.

Tax Status
The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation had no material unrelated business income during the year ended June 30, 2019; therefore, no provision for income taxes has been included in the financial statements.

New Accounting Pronouncements
The following GASB pronouncements have been issued, but are not yet effective at June 30, 2019:

- GASB Statement No. 84, *Fiduciary Activities.*
- GASB Statement No. 87, *Leases.*
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.*
- GASB Statement No. 90, *Majority Equity Interests—an Amendment of GASB Statements No. 14 and No. 61.*
- GASB Statement No. 91, *Conduit Debt Obligations.*

The adoption of these pronouncements should not significantly impact the Foundation's financial statements. The Foundation will implement the new GASB pronouncements no later than the required implementation date.

18) Cash and Cash Equivalents

A summary of cash and cash equivalents as of June 30, 2019, is as follows:

Cash and cash equivalents		
Deposits with financial institutions	$	808,196
Money market mutual funds		89,864
Total cash and cash equivalents	$	898,060

Custodial Credit Risk
The custodial credit risk for deposits is the risk that, in the event of a depository institution failure, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

New Mexico statutes, Section 6-10-16 and 6-10-17 NMSA 1978, require that financial institutions with public monies on deposit pledge collateral in an amount not less than 50 percent of the public monies held on deposit that are not insured by the federal deposit insurance corporation.

At June 30, 2019, the Foundation's deposits in the Century Bank accounts had carrying amounts of $808,196 and bank balances of $808,448. The Foundation does not have a policy for custodial credit risk. As of June 30, 2019, $558,448 of the Foundation’s bank balance with Century Bank was uninsured and exposed to custodial credit risk.

In addition, at June 30, 2019, the Foundation had money market mutual funds invested through Kestra Investment Services, LLC, in the amount of $89,864 which were insured through the Securities Investor Protection Corporation (SIPC).

<u>Restricted Cash</u>
At June 30, 2019, cash of $243,900 was restricted for Northern New Mexico College’s grant titled Plumbers and Pipefitters Center of Excellence. This funding was received as part of a five year grant award from ECMC Foundation. The full amount was uninsured and uncollateralized.

19) Investments

<u>Investment Policy</u>
The Foundation’s investment policy authorizes monies to be invested in equity and fixed income securities of United States institutions, corporate and government securities. All investments the Foundation has are less than one year.

<u>Credit Risk</u>
Generally, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Presented below is the minimum rating required for each type of investment.

Rating	Equity Exchange Traded Fund	Fixed Income Exchange Traded Fund	Other Mutual Fund	Other Exchange Traded Fund	Fixed Income Mutual Fund	Equity Mutual Fund	Real Estate Investment Trust (REIT)	Total
AAA	$ -	$ 49,826	$ -	$ -	$ -	$ -	$ -	$ 49,826
AA	-	-	-	-	8,879	-	-	8,879
AA -	-	-	-	-	3,193	-	-	3,193
A+	-	76,524	860,463	-	8,259	-	-	945,246
A	-	21,153	-	-	-	-	-	21,153
A -	-	-	-	-	5,732	-	-	5,732
BBB+	-	14,627	-	-	-	-	-	14,627
BBB	-	694,266	-	-	-	-	-	694,266
BBB-	-	1,261	-	34,858	-	-	-	36,119
BB+	-	-	-	-	1,424	-	-	1,424
BB	-	-	-	-	8,002	-	-	8,002
BB-	-	-	3,205	-	3,614	-	-	6,819
B	-	41,567	-	-	-	-	-	41,567
Unrated	938,059	20,011	29,722	724,003	26,291	54,490	269,962	2,062,538
Total	$ 938,059	$ 919,235	$ 893,390	$ 758,861	$ 65,394	$ 54,490	$ 269,962	$ 3,899,391

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Foundation does not have formal investment policies that limit investment maturities as a means of managing its exposure to changing interest rates.

The Foundation's investments were not interest-bearing obligations, so they were not subject to interest rate risk at June 30, 2019.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Foundation's investment in a single issuer. Investments in any one investment type that represent 5% or more of total investments are considered to be exposed to concentrated credit risk and are required to be disclosed. For the year ended June 30, 2019, the Foundation did not have any investments in one single issuer that met the 5% threshold for concentration risk.

Investments issued and explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

The Foundation's policy is that investments should be divided between fixed income and equity securities with a target allocation of 60% (plus or minus 10%) fixed income and 30% (plus or min us 10%) equity (investments in REITs will be weighted at 50% fixed income and 50% equity).

a. The fixed income portion will be governed by the following:

   1. Not more than 10% of the fixed portion, at cost, is to be invested in obligations of any one issuer, excluding obligations of the U.S. government.

   2. Marketable bonds, at the time of purchase, must be rated at an investment grade and commercial paper must have a rating of not less than A+ by Standard & Poor's or "Pl" by Moody's. Noninvestment grade bond funds can be considered as long as no more than 20% of the investment portfolio is invested in this type of investment.

Investment Type	Amount	Percentage
Fixed Income Exchange Traded Fund	$ 919,235	82.10 %
Real Estate Investment Trust (REIT) (50%)	134,981	12.06
Fixed Income Mutual Fund	65,394	5.84
Total foundation fixed income investments	$ 1,119,610	100.00 %
Total fixed income as a percentage of total investments		28.71 %

b. The equity securities portion of the fund shall be invested in one of the following or in a combination of both:

1. An equity-oriented portfolio diversified in terms of industry group, economic sector and securities selection.
2. A mutual fund with similar objectives.

c. The equity securities portion of the fund shall be invested in one of the following or in a combination of both:

1. With a professionally managed, equity-oriented portfolio, the investment manager(s) shall have discretion as to the selection of equities, portfolio turnover and diversification standards in order to assure flexibility in the management of the equity portion subject to the investment policy.
2. The equity portfolio will be managed with the objective of maximizing total return; therefore, sales of securities need not be restricted except as stated in the investment policy, but shall be based on the manager's perception of the investment merits of each security in the portfolio.
3. No more than 10% of the total assets of the equity portion of the fund should be invested in any single security at the time of purchase. When a gift stock is made to the Foundation that exceeds that 10% amount, the Foundation will move quickly to reinvest the gift in compliance with the policy. The equity securities purchased for the Foundation should be listed on one of the public stock exchanges or NASDAQ.
4. The investment manager(s) is required to submit quarterly reports to the Finance Committee and the Executive Director of the Foundation detailing the holding of the fund, the current market valuation and suitable comparative data as compared to market indices and any distribution of income or capital gains and any other pertinent information. Quarterly reports and annual reports will be submitted to the Foundation Board.

5. The investment manager(s) shall review investment strategies and cash flow needs with the Finance Committee and the Board of Directors of the Foundation at least once a year.

The following is the breakdown of the equity securities for the Foundation.

Investment Type	Amount	Percentage
Equity Exchange Traded Fund	$ 938,059	33.75 %
Other Mutual Fund	893,390	32.14
Other Exchange Traded Fund	758,861	27.30
Real Estate Investment Trust (REIT) (50%)	134,981	4.86
Equity Mutual Fund	54,490	1.96
Total foundation equity investments	$ 2,779,781	100 %
Total equity securities as a percentage of total investments		71.29 %

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment of collateral securities that are in the possession of another party.

The Foundation did not have exposure to custodial credit risk at June 30, 2019.

Fair Value Measurements

The Foundation adopted GASB Statement No. 72, *Fair Value Measurement and Application,* which establishes fair value standards for certain investments held by governmental entities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

U.S. generally accepted accounting principles establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2. Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies.

Investments held in cash and cash equivalents, certificates of deposit, and money market funds were valued using quoted market prices in active markets for identical assets under Level 1 of the hierarchy.

Investments in common stock, mutual funds, and debt securities are valued using quoted market prices in active markets for identical assets under Level 1 of the hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the fair value measurements of the assets at June 30, 2019:

	Fair Value Measurements Using		
	Fair Value	Level 1	Level 3
Equity Exchange Traded Fund	$ 938,059	$ 938,059	$ -
Fixed Income Exchange Traded Fund	919,235	919,235	-
Other Mutual Fund	893,390	893,390	-
Other Exchange Traded Fund	758,861	758,861	-
Real Estate Investment Trust (equity)	269,962	-	269,962
Fixed Income Mutual Fund	65,394	65,394	-
Equity Mutual Fund	54,490	54,490	-
	$ 3,899,391	$ 3,629,429	$ 269,962

20) Related-Party Transactions

The Foundation is a not-for-profit corporation established to acquire and manage charitable gifts, including endowed funds, to be used solely for the benefit of the College. The College provides office space, personnel, utilities, and general operating expenses to the Foundation at no cost. This value is captured as part of the contributions and other costs in the financial statements. In addition, the Foundation will incur certain expenditures including various scholarships and programs that are paid through the College. The Foundation will reimburse the College for these items it has paid on behalf of the Foundation. The following transactions occurred during fiscal year ended June 30, 2019, between the College and the Foundation. The Foundation does not issue separate financial statements.

	Foundation to College	College to Foundation
Operating costs	$ -	$ 228,806
Scholarships	156,232	-
Total	$ 156,232	$ 228,806

21) Risk Management

The Foundation is physically housed within the College that provides office space, personnel, utilities, and general operating expenses to the Foundation. The Foundation's exposure to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters fall within the College's insurance coverage. The College uses the Risk Management Division (RMD), which operates under the supervision of the Secretary of New Mexico, General Services Department. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

22) Contingent Liabilities

The Foundation is party to various litigation and other claims in the ordinary course of business. The Foundation is unaware of any material pending or threatened litigation, claims, or assessments against the Foundation that are not covered by the Foundation's insurance.

23) Restatement of Beginning Net Position

Net position as of July 1, 2018, has been restated due to a correction in a previously reported amount. The amount of $200,497 was owed by the Foundation to the College related to previous fiscal years. This was included as a restatement of beginning balances to due to College and net position.

The following table presents the impact of the corrections to previously reported amounts on the Foundation's net position:

	Net Position	Due to College
Balances at June 30, 2018, as previously reported	$ 3,972,381	$ 251,435
Correction of error	(200,497)	200,497
Balances at July 1, 2018, as restated	$ 3,771,884	$ 451,932

Required Supplementary Information

Northern New Mexico College
Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions
For the Year Ended June 30, 2019

Schedule of the College's Proportionate Share of Net Pension Liability

Education Retirement Board (ERB) Plan – Last 10 Fiscal Years*

Fiscal Year Measurement Date	**2019** **2018**	2018 2017	2017 2016	2016 2015
College's proportion of the net pension liability (asset)	**0.29243%**	0.27773%	0.2928%	0.3196%
College's proportionate share of the net pension liability (asset)	**$ 34,773,819**	$ 30,865,435	$ 21,071,157	$ 20,701,991
College's covered payroll	**$ 8,808,103**	$ 8,377,976	$ 8,117,792	$ 8,726,377
College's proportionate share of the net pension liability (asset) as a percentage of covered payroll	**394.79%**	368.41%	259.57%	237.23%
Plan fiduciary net position as a percentage of total pension liability	**52.17%**	52.95%	61.58%	66.65%

Schedule of the College's Contributions

Education Retirement Board (ERB) Plan – Last 10 Fiscal Years*

	2019	2018	2017	2016
Statutory required contribution	**$ 1,197,468**	$ 1,177,155	$ 1,077,546	$ 1,262,881
Contributions in relation to contractually required contributions	**$ 1,197,468**	$ 1,177,155	$ 1,077,546	$ 1,262,881
College's covered payroll (actual)	**$ 8,808,103**	$ 8,377,976	$ 8,117,792	$ 8,726,377

* 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.

Northern New Mexico College
Notes to Net Pension Liability and Schedule of Contributions
For the Year Ended June 30, 2019

1) Pension Plan

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

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

Northern New Mexico College
Schedule of Proportionate Share of the Net OPEB Liability and Schedule of Contributions
For the Year Ended June 30, 2019

Schedule of the College's Proportionate Share of Net OPEB Liability

Retire Health Care (RHC) Plan – Last 10 Fiscal Years*

		2019		2018
College's proportion of the net OPEB liability		**0.18143%**		0.17247%
College's proportionate share of the net OPEB liability	**$**	**7,889,220**	$	7,815,776
College's covered - employee payroll	**$**	**7,784,466**	$	7,184,492
College's proportionate share of the net OPEB liability as a percentage of covered payroll		**101.35%**		108.79%
Plan fiduciary net position as a percentage of total OPEB		**13.14%**		11.34%

Schedule of the College's Contributions

Retire Health Care (RHC) Plan – Last 10 Fiscal Years*

		2019		2018
Contractually required contribution	**$**	**283,515**	$	547,673
Contributions in relation to contractually required contributions	**$**	**280,053**	$	274,871
Contribution deficiency (excess)	**$**	**3,462**	$	272,802
College's covered - employee payroll (actual)	**$**	**7,784,466**	$	7,184,492
Contributions as a percentage of covered-employee payroll		**3.60%**		3.83%

* 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.

Notes to Required Supplementary Information Retiree Health Care Plan

Benefit changes. In 2019, no benefit changes to those in place. Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available. New Mexico Retiree Health Care Authority audited comprehensive annual financial report is available at the following web address: www.nmrhca.state.nm.us

Changes of Assumptions. No assumptions changes since the June 30, 2017 GASB Statement No. 75 valuation.

Supplementary Information

Northern New Mexico College
Budgetary Comparison – Restricted and Unrestricted – All Operations (Modified Accrual)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Modified Accrual)	Variance Favorable (Unfavorable)
	Original	Final		
Beginning, net position balance (modified accrual basis)	$ 1,706,326	$ 2,098,700	**$ 2,098,700**	$ -
Revenues				
State government appropriations	11,789,680	11,756,090	**11,691,538**	(64,552)
Federal government contracts and grants	5,775,035	7,032,119	**5,626,497**	(1,405,622)
State government contracts and grants	909,188	1,015,905	**984,514**	(31,391)
Private gifts, grants, and contracts	222,000	546,002	**369,870**	(176,132)
Tuition and miscellaneous fees	3,804,938	4,124,915	**4,212,222**	87,307
Land and permanent fund	163,525	225,000	**235,085**	10,085
Sales and services	706,715	628,697	**572,406**	(56,291)
Other	87,925	176,670	**177,293**	623
Total revenues	23,459,006	25,505,398	**23,869,425**	(1,635,973)
Expenditures				
Instruction	6,636,903	6,799,425	**6,302,561**	496,864
Student social and cultural activities	87,864	97,984	**93,883**	4,101
Research	-	8,000	**5,927**	2,073
Academic support	1,328,719	1,236,349	**1,204,692**	31,657
Student services	2,171,016	2,747,011	**2,163,080**	583,931
Institutional support	4,204,204	4,055,765	**3,880,489**	175,276
Operation and maintenance of plan	1,950,759	1,961,128	**1,933,008**	28,120
Public service	591,110	495,208	**447,653**	47,555
Internal service	169,739	190,732	**(77,988)**	268,720
Auxiliary enterprises	823,869	798,390	**763,577**	34,813
Capital outlay	1,050,679	1,017,090	**952,538**	64,552
Renewal and replacement	230,000	230,000	**173,733**	56,267
Student aid, grants, and stipends	4,554,146	5,243,318	**4,776,448**	466,870
Intercollegiate athletics	506,025	494,824	**548,822**	(53,998)
Total expenditures	24,305,033	25,375,224	**23,168,423**	2,206,801
Change in net position (modified accrual basis)	(846,027)	130,174	**701,002**	570,828
Ending, net position (modified accrual basis)	$ 860,299	$ 2,228,874	**$ 2,799,702**	$ 570,828

Northern New Mexico College
Budgetary Comparison – Restricted –
Instruction and General (Modified Accrual)
For the Year Ended June 30, 2019

	Budgeted Amounts		**Actual Amounts (Modified Accrual)**	Variance Favorable (Unfavorable)
	Original	Final		
Beginning, net position balance (modified accrual basis)	$ -	$ -	**$ -**	$ -
Revenues				
Federal government contracts and grants	2,003,343	2,806,539	**1,865,082**	(941,457)
State government contracts and grants	-	249,222	**238,165**	(11,057)
Local government contracts and grants	-	25,708	**-**	(25,708)
Private gifts, grants, and contracts	8,000	236,294	**89,725**	(146,569)
Total revenues	2,011,343	3,317,763	**2,192,972**	(1,124,791)
Expenditures				
Instruction	1,245,107	1,661,512	**1,086,800**	574,712
Academic support	1,181	1,343	**10,213**	(8,870)
Student services	893,050	1,407,402	**962,252**	445,150
Institutional support	-	4,675	**2,258**	2,417
Operation and maintenance of plan	-	8,142	**5,388**	2,754
Total expenditures	2,139,338	3,083,074	**2,066,911**	1,016,163
Net transfers - in (out)	127,995	(205,798)	**(126,061)**	(79,737)
Ending, net position (modified accrual basis)	$ -	$ 28,891	**$ -**	$ (28,891)

Northern New Mexico College
Budgetary Comparison – Unrestricted – Instruction and General (Modified Accrual)
For the Year Ended June 30, 2019

	Budgeted Amounts		**Actual Amounts (Modified Accrual)**	Variance Favorable (Unfavorable)
	Original	Final		
Beginning, net position balance (modified accrual basis)	$ 1,574,867	$ 1,908,369	**$ 1,908,369**	$ -
Revenues				
State government appropriations	10,132,700	10,132,700	**10,739,000**	606,300
Federal government contracts and grants	3,075	22,863	**16,126**	(6,737)
Tuition and miscellaneous fees	3,177,219	3,478,956	**3,544,768**	65,812
Land and permanent fund	163,525	225,000	**235,085**	10,085
Sales and services	2,000	2,500	**2,059**	(441)
Other	60,575	117,838	**152,654**	34,816
Total revenues	13,539,094	13,979,857	**14,689,692**	709,835
Expenditures				
Instruction	5,391,796	5,137,913	**5,215,761**	(77,848)
Academic support	1,327,538	1,235,006	**1,194,479**	40,527
Student services	1,277,966	1,339,609	**1,200,828**	138,781
Institutional support	4,204,204	4,051,909	**3,878,231**	173,678
Operation and maintenance of plan	1,950,759	1,952,986	**1,927,620**	25,366
Total expenditures	14,152,263	13,717,423	**13,416,919**	300,504
Net transfers - in (out)	(239,276)	(174,376)	**31,047**	205,423
Change in net position (modified accrual basis)	(852,445)	88,058	**1,303,820**	1,215,762
Ending, net position (modified accrual basis)	$ 722,422	$ 1,996,427	**$ 3,212,189**	$ 1,215,762

Northern New Mexico College
Reconciliation of Budgetary Basis (Modified Accrual) to Financial Statement Basis (Accrual) – Restricted and Unrestricted – All Operations
For the Year Ended June 30, 2019

Total Restricted and Unrestricted Revenues	
Budgetary basis (modified accrual)	$ 23,869,425
Financial statement basis	$ 23,869,425
Basic Financial Statements	
Operating revenues	$ 12,177,887
Nonoperating revenues	11,691,538
Total restricted and unrestricted revenues according to financial statements	$ 23,869,425
Total Restricted and Unrestricted Expenditures	
Budgetary basis (modified accrual)	$ 23,168,423
Reconciling items	
Capital outlay (not in financial statements)	597,838
Scholarship allowance (not in modified accrual basis)	4,975,687
GASB 75 Other post-employment liability adjustment (reduction) expense	(76,656)
GASB 68 Pension liability adjustment (reduction) expense	(3,488,565)
Depreciation expense (not in modified basis)	1,367,910
Total reconciling items	3,376,214
Financial statement basis	$ 26,544,637
Basic Financial Statements	
Operating expenditure	$ 26,544,637
Total restricted and unrestricted revenues according to financial statements	$ 26,544,637

Other Supplementary Information

Northern New Mexico College
Schedule of Deposit Accounts
June 30, 2019

Depository Account Name	Type of Account	Cash Per Bank June 30, 2019	Add Deposits in Transit	Less Outstanding Checks	Other Reconciling Items	Adjusted Cash Balance June 30, 2019
COLLEGE						
Century Bank						
General	Checking*	$ 2,428,358	$ -	$ -	$ 27,931	$ 2,456,289
Payroll	Checking*	13,307	-	-	(43,114)	(29,807)
Student	Checking*	7,298	-	-	(1,301)	5,997
Federal	Checking*	-	-	-	(297)	(297)
Perkins	Checking*	30,722	-	-	10,458	41,180
Luis Bustos	Checking*	6,677	-	-	-	6,677
Agency Fund	Checking*	1,076	-	-	(1,076)	-
Savings	Savings*	1,974	-	-	58	2,032
New Mexico Bank and Trust						
General	Checking*	87,487	-	-	(309,830)	(222,343)
P-Card	Checking*	371,781	-	-	525	372,306
Cash in bank		2,948,680	-	-	(316,646)	2,632,034
Petty cash and cash drawers		2,541	-	-	-	2,541
Total College cash		$ 2,951,221	$ -	$ -	$ (316,646)	$ 2,634,575
FOUNDATION						
Charles Stephen and Company						
Money market account	Money market*	$ 89,864	$ -	$ -	$ -	$ 89,864
Century Bank						
Operating	Checking*	4,083	1,174	(1,174)	-	4,083
Unrestricted	Checking*	314,986	-	-	-	314,986
Temporary restricted	Checking*	416,540	-	(252)	-	416,288
Permanently restricted	Savings*	72,839	-	-	-	72,839
Cash in bank		898,312	1,174	(1,426)	-	898,060
Petty cash and cash drawers		-	-	-	-	-
Total Foundation cash and cash equivalents		$ 898,312	$ 1,174	$ (1,426)	$ -	$ 898,060

* Indicates the account is interest bearing.

Northern New Mexico College
Schedule of Pledged Collateral
June 30, 2019

Pledged Collateral Safekeeping Location/Type of Security	College Century Bank	 New Mexico Bank and Trust	 Total
Funds on deposit			
Demand deposits	$ 2,487,438	$ 459,268	$ 2,946,706
Savings deposits	1,974	-	1,974
Total	2,489,412	459,268	2,948,680
FDIC insurance			
Demand deposits	(250,000)	(250,000)	(500,000)
Total Uninsured Public Funds	$ 2,239,412	$ 209,268	$ 2,448,680
Fifty percent collateral required per Section 6-10-17 NMSA	$ 1,119,706	$ 104,634	$ 1,224,340
Pledged Collateral			
Collateral Description	Current Market	Current Market	Current Market
FHDA Albuquerque NM MunSchDis No012 Matures 8/1/2027 CUSIP #013595UA9	600,765	-	600,765
FHR 3890 BA Matures 11/15/2040 CUSIP #: 3137ADHX8	155,108	-	155,108
Gadsden N Mex Indpt Sch Dist. NO016 Matures 8/15/2020 CUSIP #: 362550MX0	604,356	-	604,356
Security 83165AYY4 SBA Pool #522327 Matures 5/25/2029	-	345,203	345,203
Total pledged collateral	1,360,229	345,203	1,705,432
Pledged in excess of requirement	$ 240,523	$ 240,569	$ 481,092

Single Audit

Northern New Mexico College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Agency/Pass-Through Agency/Name of Program	Pass-Through Number	Federal CFDA Number	Federal Expenditures
U.S Department of Agriculture			
Passed-through New Mexico State University			
Hispanic Servicing Institutions Education Grants Program	Q01820	10.223	$ 32,491
Total U.S. Department of Agriculture			32,491
U.S. Department of Defense			
Passed-through New Mexico Tech			
Research and Technical Assistance	FA9453-18-3-0073	12.615	10,147
Passed-through University of New Mexico			
Centers for Academic Excellence	HHM402-18-1-0005	12.598	8,447
Total U.S. Department of Defense			18,594
National Science Foundation			
Research and Development Cluster			
Direct programs			
Education and Human Resources		47.076	392,710
Geosciences		47.050	47,374
Passed-through New Mexico State University			
Education and Human Resources	HRD-1305011	47.076	13,398
Total Research and Development Cluster			453,482
Total National Science Foundation			453,482
Small Business Administration			
Passed-through Santa Fe Community College			
Small Business Development Centers	SBAHQ-18-B-0044	59.037	12,197
Total Small Business Administration			12,197
U.S. Department of Education			
Direct Programs			
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grant		84.007	90,179
Federal Work Study Program		84.033	105,587
Federal Pell Grant Program		84.063	2,775,707
Federal Direct Student Loans-Subsidized		84.268	259,228
Federal Direct Student Loans-Unsubsidized		84.268	185,879
Federal Direct Student Plus Loans		84.268	7,662
Total Student Financial Assistance Cluster			3,424,242
Higher Education Institutional Aid		84.031	178,380
TRIO Cluster: TRIO - Upward Bound		84.047	307,808
Migrant Education High School Equivalency Program		84.141	492,360
Migrant Education College Assistance Migrant Program		84.149	438,155
Passed-through State of New Mexico			
Career and Technical Education - Basic Grants to State Grants	V048A180031-18A	84.048	99,814
Adult Education - Basic Grants to States	V002A180032	84.002	74,990
Total U.S. Department of Education			5,015,749
Department of Health and Human Services			
Passed-through New Mexico State University			
Biomedical Research and Research Training	5P20GM103451	93.859	76,317
Total U.S. Department of Health and Human Services			76,317
Total schedule of expenditures of federal awards			$ 5,608,830

See accompanying notes to schedule of expenditures of federal awards.

Northern New Mexico College
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") presents all federal grant and contract activity of the Northern New Mexico College (the "College") for the year ended June 30, 2019. The College's reporting entity is defined in Note 1 to the financial statements. 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). Therefore, some amounts presented in this Schedule may differ from the amounts presented in, or used in the preparation of, the financial statements.

2) Summary of Significant Accounting Policies

The Schedule is prepared on the accrual basis of accounting. Such expenditures are recognized following the cost principles under the Uniform Guidance.

3) Subrecipients

For the fiscal year ended June 30, 2019, the College did not provide any awards to subrecipients.

4) Federal Award Identification Numbers

The federal granting agency is responsible for providing the College with the Catalog of Federal Domestic Assistance (CFDA) number for each grant or contract. In cases where the federal granting agency did not provide the CFDA number to the College, other identifying numbers are presented on the Schedule. For pass-through awards, the pass-through granting agency is responsible for providing the College with pass-through grantor numbers. In cases where the pass-through granting agency did not provide this number to the College and it was not otherwise determinable, it is noted as "not available" on the Schedule.

5) Indirect Cost Rate

The College has elected to use a 30 percent indirect cost rate as approved by the U.S. Department of Health and Human Services. Since the College negotiated an indirect cost rate with the federal government, the College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 Regents
Northern New Mexico College
and
Mr. Brian S. Colón, ESQ.
New Mexico State Auditor

We were engaged to audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Northern New Mexico College (the "College"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and the budgetary comparisons presented as supplementary information, and have issued our report thereon dated December 20, 2019. Our report disclaims an opinion on the College's business-type activities financial statements and the budgetary comparisons presented as supplementary information because of incomplete accounting records, reconciliations and supporting documentation.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of the College, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, and 2019-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-007 and 2019-008 to be significant deficiencies.

Compliance and Other Matters

In connection with our engagement to audit the College's financial statements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-002, 2019-013, 2019-014, 2019-015, 2019-016, and 2019-017.

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

REDW LLC

Albuquerque, New Mexico
December 20, 2019

REDW LLC
CPAs | Advisors

redw.com

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Regents
Northern New Mexico College
and
Mr. Brian S. Colón, ESQ.
New Mexico State Auditor

Report on Compliance for the Major Federal Program

We have audited the Northern New Mexico 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Student Financial Assistance Cluster

As described in the accompanying schedule of findings and questioned costs, the College did not comply with requirements regarding Student Financial Assistance Cluster program, CFDA numbers 84.007, 84.033, 84.063 and 84.268 as described in finding numbers 2019-009, 2019-010, 2019-011 and 2019-012 for Cash Management and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to that program.

Qualified Opinion on Student Financial Assistance Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Student Financial Assistance Cluster for the year ended June 30, 2019.

Other Matters

The College's responses to the noncompliance 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 compliance and, accordingly, we express no opinion on the responses.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-009, 2019-010, 2019-011, and 2019-012 that we consider to be material weaknesses.

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.

REDW LLC

Albuquerque, New Mexico
December 20, 2019

Northern New Mexico College
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I — Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Disclaimer for the business-type activities Unmodified for the discretely presented component unit
Internal control over financial reported:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Type of auditor's report issued on compliance for major program:	Qualified
Internal control over major program:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Any audit findings disclosed that are required to be reported in accordance the 2CFR 200.516(a)?	Yes

Section I — Summary of Auditor's Results — continued

Identification of major programs:

CFDA Number	Name of Federal Program
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?	No

FS – Material Weaknesses and/or Noncompliance

Section II — Financial Statement Findings

2019-001 (2018-001, 2013-001, 2013-002) Bank Reconciliations—Timeliness and Review Process—Repeat of Finding—Material Weakness—College and Foundation

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Criteria: Appropriate internal controls over cash require timely reconciliation and review of institutional accounts to the general ledger in order to ensure adequate control over cash receipts and disbursements. Best practices dictate that bank reconciliations should be performed monthly in order to enhance timeliness of the financial information as well as timely authorization of corrections necessary.

Condition: The College and Foundation did not timely reconcile and review bank accounts throughout the year, which caused various accounts to not be reconciled for months after year-end. The College had multiple account balances that did not accurately reconcile to the general ledger at year-end. Lack of the bank reconciliations limit the identification of outstanding items including stale dated checks and timely deposits.

Although the Foundation bank accounts were not reconciled timely, the reconciliations were accurate and agreed to the general ledger at year-end.

The College did not implement their prior corrective action plan. As a result, the current year corrective action plan has been given a revised schedule

Cause and Effect: The College did not have the personnel or procedures in place to prepare the bank reconciliations on a timely basis for either the College or the Foundation. During fiscal year 2019, the Foundation contracted with an outside consultant to prepare the bank reconciliations.

Not reconciling and reviewing cash accounts timely and thoroughly on a monthly basis creates the opportunity for errors or inappropriate transactions to occur undetected. Carrying numerous reconciling items could result in a misstatement in the accounting records or related misappropriation of funds. The College did not implement an internal control policy to account for stale dated outstanding checks and did not void or escheat these checks on a timely basis.

Section II — Financial Statement Findings — continued

2019-001 (2018-001, 2013-001, 2013-002) Bank Reconciliations—Timeliness and Review Process—Repeat of Finding—Material Weakness—College and Foundation — continued

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Auditor's Recommendations: We recommend bank reconciliations be prepared for all bank accounts for both the College and Foundation on a monthly basis with another responsible individual reviewing these reconciliations. A schedule of all bank account reconciliations should be kept in order to inform management and those in charge of governance their current status. Additionally, the bank reconciliation module in the College's accounting software (Banner) should be activated. Data could then be imported through an automated process from both the cash general ledger (book) and the bank. In addition to set-up time for each account, the College will need to determine a cut-off date and import. We recommend utilizing Banner's built in bank reconciliation module software as it has a built in audit trail. This will enable any changes to the bank reconciliation data to be documented for both the preparer and the reviewer, which will result in a stronger internal control structure.

Management's Response: The College agrees with the finding. New staff have been hired including a CGFM with over 25 years of experience and a staff accountant to perform the reconciliation process. Additionally, the College continues to utilize Banner functionality to automate the reconciliation process.

The College does plan on utilizing additional contractual resources to assist with the cash reconciliation process. This is due to the fact that the college will have to reconcile back to the point in time that the bank reconciliations began to be falsified with unsubstantiated numbers in order to balance. This will be approximately 6 years' worth of bank statements.

Responsible Person/Position: Vice President for Finance and Administration and Comptroller

Timeline and Estimated Completion Date: June 30, 2020

Section II — Financial Statement Findings — continued

2019-002 (2018-002, 2017-003, 2013-003) Capital Assets—Repeat Finding—Material Weakness and Other Noncompliance—College

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Criteria: GASB Statement No. 34 paragraphs 18 to 22 require capital assets to be recorded at their historical cost and include ancillary charges necessary to place the asset into its intended location and condition for use. Further, 2.20.1.16(E) NMAC requires certification of all governmental entities capital assets at or near year-end and 2.20.1.18 NMAC has specific requirements over dispositions. Good accounting practices to ensure compliance should include formal policies and procedures over treatment of assets in accordance with 2.20.1 NMAC.

Condition: The College was not able to timely present supporting schedules and documentation to substantiate the capital assets balance at year-end. Additionally, the college did not conduct a thorough physical inventory of all capital assets.

The College did not implement their prior corrective action plan. As a result, the current year corrective action plan has been given a revised schedule.

Cause and Effect: The process in place over recording the physical control over capital assets was not functioning properly. This resulted in the College not being in compliance with regulations over capital assets. Without proper accountability or tracking of assets, the assets and related records are more susceptible to theft and errors.

Auditor's Recommendations: We recommend the College draft and adopt policies over the disposals and physical control of capital assets and perform a complete physical inventory count of all capital assets to ensure compliance with the applicable laws and regulations.

Management's Response: The College did revise its' capitalization and disposition policies late last fiscal year, and did so in this timeframe in order to incorporate anticipated changes in oversight entity mandates that were promulgated in the last quarter. Additionally, the College did receive land acquisitions and valuation documentation, but does note that the changes were not incorporated by the end of the fiscal year. The College did conduct a full year-end inventory of all information technology related equipment, but did not do the same for the remainder of the capital assets due to staff limitations. With the addition of new staff including a CGFM with over 25 years of experience and a staff accountant the year-end physical inventory of capital assets will be conducted in late June 2020.

Responsible Person/Position: Vice President for Finance and Administration, Comptroller, Compliance Officer

Timeline and Estimated Completion Date: June 30, 2020

Section II — Financial Statement Findings — continued

2019-003 (2018-003, 2016-003, 2016-017) Financial Policies and Procedures—Repeat Finding—Material Weakness—College

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Criteria: Good accounting practices require the College to implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. New policies and procedures, or changes to existing policies and procedures must be presented to the Board of Regents for final approval. A lack of appropriate policies and procedures increases the risk that unauthorized transactions could occur, funds could be inappropriately accounted for, and transactions could be inaccurately recorded and reported.

Condition: The College was able to develop and revise certain policies and procedures toward the end of the fiscal year pertaining to significant accounting areas; however many of the College's policies and procedures are either outdated for current state and federal laws and regulations, or have not been formally approved by the Board of Regents. In addition, the College does not maintain a centralized location for all updated and approved policies and procedures that is easily accessible for all College employees.

The College did not implement their prior corrective action plan. As a result, the current year corrective action plan has been given a revised schedule.

Cause and Effect: The College was not able to update all existing policies and procedures, or obtain formal approval from the Board for informal policies used during the fiscal year due to the prior year's audit being submitted late, as well as some corrective action plan items extending through the current fiscal year. This resulted in outdated or incomplete policies and procedures.

The College is not adhering to the proper accounting procedures to ensure reliable financial records are generated that can be utilized for reporting and decision making, as a direct result of not having updated and approved policies and procedures. The audit of the College includes a disclaimer of opinion on business-type activities, as balances may not be accurate and further noncompliance may exist.

Section II — Financial Statement Findings — continued

2019-003 (2018-003, 2016-003, 2016-017) Financial Policies and Procedures—Repeat Finding—Material Weakness—College — continued

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Auditor's Recommendations: We recommend that the College continue to revise and develop policies and procedures, but begin utilizing the Policy Review Committee as described in the College's Organization Policies. This committee should meet regularly to ensure compliance with all state and federal laws and regulations, and would be responsible to review drafted and revised policies, which will ultimately be presented to the Board of Regents for final approval. Such policies include but are not limited to:

- Credit card purchases
- Athletic travel and recruitment
- Drawdowns of Federal Grants and Student Aid
- Formal Change Management Policy for items that would affect staff, students, or policy.

Management's Response: The College did update and modify several policies during fiscal year 2019 and continues to review its' most critical financial policies and procedures. The College will continue to update current policies, many of which were created and not modified since the 1990's and or nonexistent policies to enhance internal control and be compliant with current federal and state laws and regulations. The College does have financial procedures that have not been codified into policy. Accordingly, the College continues to migrate all financial policies to a central location on its' website.

Responsible Person/Position: Vice President for Finance and Administration, Comptroller, Compliance Officer

Timeline and Estimated Completion Date: June 30, 2020

Section II — Financial Statement Findings — continued

2019-004 (2018-004, 2016-006) Segregation of Duties—Repeat Finding—Material Weakness—College

Criteria or Specific Requirement: A strong system of controls requires separation between custody of assets, recording of transactions and authorization of transactions. If a small number of employees do not allow for proper separation of duties, supervisory review should be used to compensate for the lack of separation of duties.

Condition: Although significant improvements have been made to the control structure of the College, many positions were not filled until the later part of the fiscal year. This resulted in some positions having full access to financial transactions without appropriate review. Such transactions include Human Resources having full access to payroll recordkeeping or reviews of bank reconciliations.

The College did not implement their prior corrective action plan. As a result, the current year corrective action plan has been given a revised schedule.

Cause and Effect: The College did not have appropriate compensating controls for financial transactions implemented for the entirety of the fiscal year. This resulted in a lack of separation of duties between departments.

Auditor's Recommendations: We recommend the College continue to improve the control structure, which has been achieved by filling vacant positions, and limiting access to existing positions that previously had too much access. The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction.

For the cash receipts transaction cycle, there should be adequate segregation of duties among those who:

- Collect accounts receivable
- Review the bank reconciliations in detail
- Authorize write-offs or adjustments, including journal entries
- Independently investigate discrepancies or issues related to revenue
- Process staff/parent/outside organizational calls and complaints
- Reconcile bank accounts, including petty cash
- Payroll is an accounting function that should be segregated from Human Resources and placed back under the purview of the Business Office

Section II — Financial Statement Findings — continued

2019-004 (2018-004, 2016-006) Segregation of Duties—Repeat Finding—Material Weakness—College — continued

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Management's Response: The College agrees with the finding and notes that the segregation, while strained with limited staff, was maintained with compensating controls. However, the College was not able to disassociate the payroll function and move it to the Business Office from the Human Resources until late in the fiscal year when the Request for Proposal and a contract for a third-party payroll processor was effected. All payroll functions are now under the purview of the Business Office. The College will continue to evaluate and modify its internal control process on a continuous basis.

Responsible Person/Position: Vice President for Finance and Administration, Comptroller, Compliance Officer

Timeline and Estimated Completion Date: June 30, 2020

Section II — Financial Statement Findings — continued

2019-005 (2018-005, 2016-007, 2016-016, 2016-021, 2016-025) Trial Balance Maintenance and Account Reconciliation—Repeat Finding—Material Weakness—College

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Criteria or Specific Requirement: Monthly maintenance of the trial balance and preparation of annual financial statements and related note disclosures in accordance with generally accepted accounting principles (GAAP) helps ensure that timely, accurate and useful information is available to management and those charged with governance.

Condition: Several critical year-end account reconciliations were either not completed or completed several months after year-end. We also noted that some accounts were not being recorded in accordance with GAAP. Examples of these accounts include:

- Cash and cash equivalents
- Accounts receivable
- Capital assets
- Prepaid expenses
- Accounts payable and suspense accounts
- Unearned revenue
- Accrued leave
- Other accrued liabilities

The College did not implement their prior corrective action plan. As a result, the current year corrective action plan has been given a revised schedule.

Cause and Effect: Internal controls were not in place to ensure that monthly general ledger account reconciliations were completed and reviewed for all significant accounts during the fiscal year. This resulted in the trial balance not being fully reconciled and ready for audit, which ultimately lead to a late audit report.

Auditor's Recommendations: Management should implement a monthly or quarterly financial closing process to assure that all significant matters impacting the financial statements are evaluated for compliance with GAAP and reconciled regularly.

Section II — Financial Statement Findings — continued

2019-005 (2018-005, 2016-007, 2016-016, 2016-021, 2016-025) Trial Balance Maintenance and Account Reconciliation—Repeat Finding—Material Weakness—College — continued

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Management's Response: The College continued with staff shortages during most of the fiscal year, but has since hired competent staff to perform reconciliation and account maintenance functions including a CGFM with over 25 years of experience and a staff accountant. Additionally, several changes were made on the posting and timing of journal entries which will assist in the reconciliation process and with the timely hard close of the accounting periods.

Responsible Person/Position: Vice President for Finance and Administration, Comptroller, Compliance Officer

Timeline and Estimated Completion Date: June 30, 2020

Section II — Financial Statement Findings — continued

2019-006 Account Reconciliation and Analysis—Material Weakness—Foundation

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Criteria: Accounting records must include a complete, balanced general ledger that records all transaction and permits the preparation of accurate financial statements and other information. All accounts should be analyzed, reviewed and reconciled to subsidiary ledgers and other supporting documentation at least monthly.

Condition: A significant adjusting journal entry was required after the accounting records were closed at year-end. The accounts requiring adjustments related to other expenses and due to the primary institution as these were both materially overstated.

Cause and Effect: The Foundation's current general ledger account reconciliation processes do not include timely reconciliation of all significant account balances. As a result of the entry, liabilities and expenses were overstated and an adjustment was required.

Auditor's Recommendation: Implement monitoring procedures and other internal controls to ensure reconciliations are being performed and resulting adjustments are recorded correctly and timely.

Management's Response: The College agrees with the finding and does note that with the lack of Foundation staff to assist with gathering the requisite information to assist in the preparation of the reconciliation the doubling of the amounts was inadvertently overstated. The College will work with internal and external sources in a timelier fashion to ensure that entries are correct prior to posting in the general ledger.

Responsible Person/Position: Vice President for Finance and Administration and Comptroller

Timeline and Estimated Completion Date: June 30, 2020

FS – Significant Deficiencies and/or Noncompliance

Section II — Financial Statement Findings — continued

2019-007 (2018-007, 2016-004, 2016-026, 2016-027, 2016-028, 2013-007) Information Technology (IT)—Repeat Finding—Significant Deficiency—College

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Criteria or Specific Requirement: In accordance with ISACA's Control Objectives for Information and related Technology (COBIT) 4.1, framework (DS4, Ensure Continuous Service), a Disaster Recovery Plan should cover all critical applications and systems to reduce impact of a major disruption on key business functions and processes.

Framework DS5 (Ensure System Security) provides that the need to maintain integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security and roles and responsibilities, policies, standards, and procedures. Effective security management protects all IT assets to minimize the business/financial impact of security vulnerabilities and incidents. This includes monitoring user access, implementing and testing a continuity plan, maintaining documents, and processing daily the College's accounting system "Banner" feeds.

Condition: The College has made improvements in their information technology related controls, such as creating network drives for employees to maintain critical documents. However, there are still improvements that can be implemented to increase overall Financial Reporting IT controls. These include:

- Monitoring user access in Banner and restricting employees' access based on their job duties.
- Implement and test a disaster recovery system based on the business continuity plan.
- Systematic review of nightly Banner feeds to ensure there are no deleted or suspended feeds.
- Develop a Governing IT Steering Committee.
- Maintain electronic copies of critical documents to support financial transactions.

The College was only able to implement a portion of their prior year corrective action plan. As a result, the current year corrective action plan has been given a revised schedule.

Cause and Effect: Timing of the implementation of the College's prior year management responses caused the above controls and plans to be delayed during fiscal year 2019. The College's financial and other information may be at risk of theft, loss, or corruption if the above improvements are not implemented.

Auditor's Recommendations: The College has taken action to review user access in Banner, developed a business continuity plan, and created network drives for employees to maintain critical documents. It is recommended to continue following through with these actions, assess risks in IT and data, and take action to safeguard assets and information.

Section II — Financial Statement Findings — continued

2019-007 (2018-007, 2016-004, 2016-026, 2016-027, 2016-028, 2013-007) Information Technology (IT)—Repeat Finding—Significant Deficiency—College — continued

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Management's Response: The College completed a formal review of Banner access during late mid-fiscal year, which did identify several weaknesses in access which has since been modified and corrected. The College has developed a plan for disaster recovery/business continuity; however, the infrastructure is currently not in place due to budgetary constraints. The College is still pursuing a cloud solution in collaboration with other colleges and universities. The College preserved only one and one-half years of data to support that the feeds had been tracked; however, the time extension was increased to two years. The College now preserves the data that supports the tracking of the feeds. The College established an information technology governing committee in late fall 2019, which includes key faculty and staff. The Committee is seeking a member of the Board of Regents to become one of the members.

Responsible Person/Position: Vice President for Finance and Administration and the Director of Information Technology

Timeline and Estimated Completion Date: June 30, 2020

Section II — Financial Statement Findings — continued

2019-008 (2018-012, 2017-010) Administrative Fee Reduction—Repeat Finding—Significant Deficiency—Foundation

Criteria or Specific Requirement: Good fundraising practices would require policies and procedures that would inform the donor of any reduction in their donation due to administrative fees, Gala tickets, etc. The scholarship reduction should not occur if the cost is being sponsored.

Condition: For 3 out of 12 of a statistically valid sample of scholarship awards, the recipients funding was reduced by $25 in the first semester to cover the cost of their meal at the Foundation's Annual Gala. However, there was no cost to the Foundation for the Gala meals as they were donated by the sponsor.

The College did not implement their prior corrective action plan. As a result, the current year corrective action plan has been given a revised schedule.

Cause and Effect: The Foundation has a practice where it charges an administrative fee from the donations received, which may not be clear to the donors. In addition, the Foundation reduces the scholarship awards for students by $25 to attend the Gala; however, the Gala catering costs are not always charged to the Foundation.

Scholarship donors may not be aware of administrative fees to cover administrative expenses, Gala tickets for students, etc. The Foundation reduced scholarship amounts that never were used to offset meal costs.

Auditor's Recommendations: The Foundation should write a policy and procedure approved by the Board regarding the administrative fees it charges for donations, or eliminate this fee altogether as the meals are sponsored for the Gala.

Management's Response: The College concurs with the finding and recommendations, and notes that changes to this prior finding were not made as anticipated due to staff and Foundation Board Member changes during the fiscal year. The College will work with the new Foundation Board to make the requisite changes. The College will note that minimal fiscal and fundraising activity has been conducted by the Foundation since the departure of Foundation staff; no Gala event was held during the fall of 2019.

Responsible Person/Position: Foundation Board President, College President, Vice President for Finance and Administration

Timeline and Estimated Completion Date: June 30, 2020

SA – Material Weaknesses and/or Noncompliance

Section III — Federal Award Findings and Questioned Costs

2019-009 (2018-013, 2017-012) Cash Management—Repeat Finding—Material Weakness and Program Qualification

Federal program information:

Funding agency:	U.S. Department of Education
Title:	Student Financial Assistance Cluster
CFDA number:	84.007, 84.033, 84.063, and 84.268
Questioned costs:	N/A
Award year and number:	All

Criteria: The Department of Education placed the College on a Heightened Cash Monitoring 1(HCM 1) payment method to closely monitor cash management. According to the 34 CFR Section 668.162 (d), the College must credit a student a student's ledger account for the amount of Title IV funds that the student or parent is eligible to receive and pay the amount of any credit balance due before the institution submits a request for reimbursement.

Condition: The College did not implement their prior corrective action plan. As a result, the current year corrective action plan has been given a revised schedule. For 1 of 8 of a statistically valid sample, students were refunded after the drawdown request had been made. Additionally, the College's Policies and Procedures Pertaining to Drawdowns of Federal Grants and Student Aid is not updated to be in accordance with the College's HCM1 status.

Cause and Effect: The College did not follow appropriate procedures in accordance with HCM 1 drawdown procedures or internal drawdown procedures. This resulted in noncompliance of drawdown requests during the year. Drawdowns may not be recorded correctly and there is higher risk of error or misappropriation of assets.

Auditor's Recommendations: We recommend following HCM 1 drawdown procedures in accordance with the 34 CFR Section 668.162 (d). We also recommend updating the Policies and Procedures Pertaining to Drawdowns of Federal Grants and Student Aid to be in accordance with HCM1 status.

Section III — Federal Award Findings and Questioned Costs — continued

2019-009 (2018-013, 2017-012) Cash Management—Repeat Finding—Material Weakness and Program Qualification — continued

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Management's Response: The College concurs with the finding and recommendations, and notes that changes were made during the fiscal year starting with refunds in the Spring of 2019.

Responsible Person/Position: Vice President for Finance and Administration, Comptroller, Compliance Officer

Timeline and Estimated Completion Date: June 30, 2020

Northern New Mexico College
Schedule of Findings and Questioned Costs — continued
For the Year Ended June 30, 2019

Section III — Federal Award Findings and Questioned Costs

2019-010 Special Tests and Provisions—Enrollment Reporting—Material Weakness and Program Qualification

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Federal program information:

Funding agency:	U.S. Department of Education
Title:	Student Financial Assistance Cluster
CFDA number:	84.007, 84.033, 84.063, and 84.268
Questioned costs:	N/A
Award year and number:	All

Criteria: The Department of Education relies on institution's enrollments reports to determine a student's enrollment status based on reductions or increases in attendance levels, withdrawals, graduations or approved leaves-of-absence. According to 34 CFR 690.83(b)(2) and 685.309, the College is required to submit changes in student attendance to the National Student Loan Data System (NSLDS) at a minimum of every 60 days.

Condition: The College is not notifying the Department of Education and NSLDS of changes in student status in a timely and accurate manner. We noted the following instances of noncompliance:

- For 19 of 25 of a statistically valid sample, students' change in status was not reported timely to NSLDS.
- For 6 of 25 of a statistically valid sample, the student was incorrectly reported as full-time status to NSLDS rather than graduated.
- For 3 of 25 of a statistically valid sample, the student was incorrectly reported as half-time status to NSLDS rather than graduated.
- For 1 of 25 of a statistically valid sample, the student was incorrectly reported as withdrawn to NSLDS rather than graduated.
- For 1 of 25 of a statistically valid sample, the student was incorrectly reported as half-time status to NSLDS rather than less than half-time status.

Cause and Effect: The College did not follow the appropriate procedures in accordance with enrollment reporting requirements. This resulted in noncompliance of enrollment reporting during the year which may cause a student's status to be incorrect for extended periods of time. As a result, the College did not promptly notify Department of Education, lenders, or NSLDS of changes in student status in a timely and accurate manners.

Auditor's Recommendations: We recommend following the enrollment reporting requirements under 34 CFR 690.83(b)(2) and 685.309.

Section III — Federal Award Findings and Questioned Costs— continued

2019-010 Special Tests and Provisions—Enrollment Reporting—Material Weakness and Program Qualification — continued

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Management's Response: The College concurs with the finding and recommendations. The Financial Aid Office and Business Office will work to remedy the deficiency, although in light of the timing of the finding full compliance is not anticipated to for resolution until the succeeding fiscal year.

Responsible Person/Position: Vice President for Finance and Administration, Director of Financial Aid, Compliance Officer

Timeline and Estimated Completion Date: June 30, 2021

Section III — Federal Award Findings and Questioned Costs— continued

2019-011 Special Tests and Provisions—Disbursements to or on Behalf of Students—Material Weakness and Program Qualification

Federal program information:

Funding agency:	U.S. Department of Education
Title:	Student Financial Assistance Cluster
CFDA number:	84.007, 84.033, 84.063, and 84.268
Questioned costs:	N/A
Award year and number:	All

Criteria: In accordance with 24 CFR 668.165(a), the College is required to notify the student or parent, in writing, of (1) the date and amount of their disbursement; (2) the student's or parent's right to cancel all or a portion of their loan or loan disbursement and have the proceeds returned to the holder of that loan; and (3) the procedure and time by with the student or parent must notify the institution of their intent to cancel the loan. The notification must be made no earlier than 30 days before, and no later than 30 days after, crediting a student's account at the institution with direct loan.

Condition: For 3 of 25 of a statistically valid sample, the College did not notify the student, or parent, of their right to cancel all or a portion of the loan amount disbursed to them.

Cause and Effect: The College did not follow the appropriate procedures in accordance with the notice requirements which resulted in noncompliance for disbursements of direct loans to students during the year. This resulted in students, or parents, being unaware of their rights, and the process, to cancel all or a portion of their student loans.

Auditor's Recommendations: We recommend following the notice requirements related to direct loans under 34 CFR 668.165(a).

Management's Response: The College concurs with the finding and recommendations. The Financial Aid Office and Business Office will work to remedy the deficiency, although in light of the timing of the finding full compliance is not anticipated to for resolution until the succeeding fiscal year.

Responsible Person/Position: Vice President for Finance and Administration, Director of Financial Aid, Compliance Officer

Timeline and Estimated Completion Date: June 30, 2021

Section III — Federal Award Findings and Questioned Costs— continued

2019-012 Special Tests and Provisions—Gramm Leach Bliley Act—Material Weakness and Program Qualification

Federal program information:

Funding agency:	U.S. Department of Education
Title:	Student Financial Assistance Cluster
CFDA number:	84.007, 84.033, 84.063, and 84.268
Questioned costs:	N/A
Award year and number:	All

Criteria: In accordance with 16 CFR 314.4(b), the College is required to perform a risk assessment that addresses (1) employee training and management; (2) information systems, including network and software design, as well as information processing, storage, transmission and disposal; and (3) detecting, preventing and responding to attacks, intrusions or other system failures. Additionally the College is required to have a documented safeguard for each risk identified to appropriately protect student's financial aid information.

Condition: The College has not performed a formal risk assessment that appropriately addresses the following:

- Employee training and management
- Information systems, including information processing, storage, transmission and disposal
- Detecting, preventing and responding to attacks or other system failures

Cause and Effect: Due to budgetary constraints the College has not performed a formal risk assessment that adequately addresses the requirements and provides safeguards in accordance with the Gramm Leach Bliley Act. As a result, the College has not taken appropriate action to protect student financial aid information.

Auditor's Recommendations: We recommend following the notice requirements related to direct loans under 16 CFR 314.4(b).

Management's Response: The College concurs with the finding and recommendations. The Financial Aid Office and Business Office will work to remedy the deficiency, although in light of the timing of the finding full compliance is not anticipated to for resolution until the succeeding fiscal year.

Responsible Person/Position: Vice President for Finance and Administration, Director of Financial Aid, Compliance Officer

Timeline and Estimated Completion Date: June 30, 2021

Other Noncompliance —
Schedule of Findings and Responses

2019-013 (2018-014, 2016-001) Late Audit Report and Late Submission of Unsigned Audit Contract—Repeat Finding—Other Noncompliance—College

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Criteria: 2.2.2.9(A) NMAC establishes a due date of November 1 for submission of this audit report to the Office of the State Auditor.

Condition: The required submission date of the audit report for the fiscal year ended June 30, 2019, to the New Mexico State Auditor was November 1, 2019. The audit report was not submitted by the specified due date.

The College did not implement their prior corrective action plan. As a result, the current year corrective action plan has been given a revised schedule.

Cause and Effect: The College was involved with significant staffing changes during the prior audit, and did not have all critical positions filled during the current fiscal year. This ultimately caused the audit report to be late.

Without the audit report being delivered on time, the Board of Regents, the Administration, regulatory and funding agencies, legislative committees, and the public do not have the financial data available to make funding decisions. The public did not have the financial data available for review.

Auditor's Recommendations: We recommend the College submit future audit reports timely and create a time schedule that will enable the College to become compliant with the Office of the State Auditor's deadlines.

Management's Response: The College concurs with the finding and highly anticipates compliance with 2.2.2 NMAC with the addition of new staff accountants.

Responsible Person/Position: Vice President for Finance and Administration and Comptroller.

Timeline and Estimated Completion Date: November 1, 2020.

2019-014 (2018-015, 2016-029) Compliance Violation—Anti-Donation Clause of the New Mexico Constitution—Repeat Finding—Other Noncompliance—College

Criteria or Specific Requirement: New Mexico Constitution Article IX, Section 14 states, "neither the state, nor any county, school district, or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit, or make any donation to or in aid of any person, association or public or private corporation. A donation within the meaning of this provision is a "gift," an allocation or appropriation of something of value, without consideration." This section is commonly referred to as the Anti-Donation Clause.

Condition: We noted a violation of the Anti-Donation Clause in the following area:

- Student Receivables. We were informed that student accounts receivables outstanding at the time of the conversion to Banner (approximately 2006) were not transferred over with the necessary account detail into the Student Accounts Receivable database. As a result, efforts to collect these old receivables are not currently in process.

The College did not implement their prior corrective action plan. As a result, the current year corrective action plan has been given a revised schedule.

Cause and Effect: The College has not reconciled student account receivables as of June 30, 2019. This, combined with other unreconciled accounts, resulted in a disclaimer relating to the College business-type activities. Noncompliance with the State Constitution subjects the College officials to penalties as required by state statutes.

Auditor's Recommendations: We recommend College staff, including all department heads, review its policies and procedures concerning receivables, and the Anti-Donation Clause to ensure the College is not benefiting a particular individual or organization without an exchange transaction (i.e. receiving something in return).

Management's Response: Student Accounts Receivable have not been fully reconciled for a number of years. This facilitated the embezzlement of funds in prior years. The College continues the reconciliation of student accounts from a point forward which the data is valid, and will then work backwards to reconcile the receivables that were not reconciled when the data was converted from the old system to Banner. The College intends to bring additional resources to assist in this process including utilizing external contractual resources.

Responsible Person/Position: Vice President for Finance and Administration, Comptroller, Compliance Officer

Timeline and Estimated Completion Date: June 30, 2021

Northern New Mexico College
Schedule of Findings and Responses
For the Year Ended June 30, 2019

2019-015 (2018-008, 2015-001) Travel and Per Diem—Repeat Finding—Other Noncompliance—College

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Criteria or Specific Requirement: Travel reimbursements from state funds shall be either per diem or actual expenses for lodging as provided in Section 10-8-4 of the New Mexico Per Diem and Mileage Act, NMSA 1978. Additionally, the College cannot reimburse employees partial day per diem, unless the travel is in excess of a 9 hour workday according to 2.42.2.8B(1).

Condition: During our testing of travel and per diem the following exceptions were noted:

- For 1 of 25 of a statistically valid sample, the College paid an employee partial day per diem of $10, however the employee did not work the hours required to earn partial day per diem.
- For 1 of 25 of a statistically valid sample, the College underpaid $8 to an employee for travel reimbursements.

The College did not implement their prior corrective action plan. As a result, the current year corrective action plan has been given a revised schedule.

Cause and Effect: Staff is not familiar with the New Mexico Per Diem and Mileage Act which resulted in underpayment of an employee's per diem and payment to an employee who did not earn the per diem.

Auditor's Recommendations: We recommend the College train employees on the rules and regulations regarding mileage and per diem and to review details carefully before submitting and approving travel reimbursements to avoid erroneous per diem payments.

Management's Response: The College does concur that the two instances of noncompliance with the Per Diem and Mileage Act (Act), specifically with regards to the Partial Day Per Diem totaling a net overpayment of two dollars ($2.00) are valid. The two instances occurred early in the fiscal year shortly after the adoption of the Act. The College has since recouped the one overpayment and corrected and paid the one underpayment. The College has semi-annual training on the Act at convocation as well as trains new staff as needed to ensure policy is followed consistency.

Responsible Person/Position: Vice President for Finance and Administration, Comptroller, Compliance Officer

Timeline and Estimated Completion Date: December 31, 2019

2019-016 (2018-017, 2016-005) Procurement Code Violations—Repeat Finding—Other Noncompliance—Foundation

Criteria: The Foundation has adopted the College's procurement policy as they have a central purchasing function. Therefore, the Foundation is required to adhere to the State procurement code. According to 13-1-102 NMSA 1978, procurement shall be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978.

Condition: The Foundation has been using the services of the same investment manager since calendar year 2014. During fiscal year 2019, the Foundation went through the process of procuring a new investment manager through the appropriate bidding process however, prior to executing the contract, a conflict of interest was identified between the investment manager and the Foundation. As a result, the contract was not awarded and the Foundation's investments continued to be managed by the same manager as of year-end.

The Foundation did not implement their prior corrective action plan. As a result, the current year corrective action plan has been given a revised schedule.

Cause and Effect: Although the exact cause is unknown, the Foundation did not have appropriate segregation of duties over procurement compliance. This resulted in a violation of the State of New Mexico's procurement code and may have not obtained the best price for the service received during the year.

Auditor's Recommendations: We recommend the Foundation follow the Procurement Code (13-1-1 to 13-1-199 NMSA 1978) to ensure compliance with the rules and regulations over procurement. In addition, there should be an official process in place to initiate purchases and contracts to ensure management override of controls does not exist.

Management's Response: Management concurs with the finding. Due to turnover in Foundation staff and Board members a new request for proposal was not completed during the fiscal year. The College is working with the current Foundation Board to complete a new request for proposal for investment advisor services.

Responsible Person/Position: Foundation Board President, College President, Vice President for Finance and Administration and Compliance Officer

Timeline and Estimated Completion Date: June 30, 2020

2019-017 (2018-018) Compliance with Investment Policy—Repeat Finding—Other Noncompliance—Foundation

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Criteria or Specific Requirement: The Foundation's investment policy states that investments should be divided between fixed income and equity securities with a target allocation of 60% (plus or minus 10%) fixed income and 30% (plus or minus 10%) equity (investments in Real Estate Investment Trusts will be weighted at 50% fixed income and 50% equity).

Condition: At June 30, 2019, the Foundation's investment allocation was not in compliance with the Foundation's approved investment policy. Corrective action was initiated during fiscal year 2019, however the Foundation was unable to implement corrective action before year-end.

Cause and Effect: Internal controls are not in place to monitor the Foundation's investments in accordance with their approved policy.

Auditor's Recommendations: We recommend that the Foundation modify their policies and procedures to reflect their current practice or comply with their Investment Policy.

Management's Response: Management agrees with the finding. The College comptroller and VP of Finance will work with the Foundation and the investment manager to ensure that the investment policy is followed.

Responsible Person/Position: Vice President for Finance and Administration and Comptroller

Timeline and Estimated Completion Date: June 30, 2020

Northern New Mexico College

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2019

Prior Audit Findings	Current Status
2018-001 (2013-001, 2013-002) Bank Reconciliations – Timeliness and Review Process – College and Foundation	Repeated. New staff have been hired to perform the reconciliation process. Additionally, the College continues to utilize Banner functionality to automate the reconciliation process. The College does plan on utilizing additional contractual resources to assist with the cash reconciliation process as needed.
2018-002 (2013-003) Capital Assets – College	Repeated and modified. The College did revise its' capitalization and disposition policies late last fiscal year, and did so in this timeframe in order to incorporate anticipated changes in oversight entity mandates that were promulgated in the last quarter. Additionally, the College did receive land acquisitions and valuation documentation, but does note that the changes were not incorporated by the end of the fiscal year. The College did conduct a full year-end inventory of all information technology related equipment, but did not do the same for the remainder of the capital assets due to staff limitations. The year-end physical inventory of capital assets will be conducted in late June 2020.
2018-003 (2016-003, 2016-017) Financial Policies and Procedures – College	Repeated and modified. The College did update and modify several policies during fiscal year 2019 and continues to review its' most critical financial policies and procedures. The College will continue to update current and or nonexistent policies to enhance internal control and be compliant with current federal and state laws and regulations. Accordingly, the College continues to migrate all financial policies to a central location on its' website.
2018-004 (2016-006) Segregation of Duties – College	Repeated and modified. The College notes that the segregation, while strained with limited staff, was maintained with compensating controls. However, the College was not able to disassociate the payroll function and move it to the Business Office from the Human Resources until late in the fiscal year when the Request for Proposal and a contract for a third-party payroll processor was effected. All payroll functions are not under the purview of the Business Office. The College will continue to evaluate and modify its internal control process on a continuous basis.

Northern New Mexico College
Summary Schedule of Prior Audit Findings — continued
For the Year Ended June 30, 2019

Prior Audit Findings	Current Status
2018-005 (2016-007, 2016-016, 2016-021, 2016-025, 2017-006) Trial Balance Maintenance and Account Reconciliation – College	Repeated and modified. The College continued with staff shortages during most of the fiscal year, but has since hired competent staff to perform reconciliation and account maintenance functions. Additionally, several changes were made on the posting and timing of journal entries which will assist in the reconciliation process and with the timely hard close of the accounting periods. The College resolved finding 2017-006 in fiscal year 2019 as corrective action was taken.
2018-006 (2017-001) Controls over Payroll Reporting – College	Resolved. Corrective action was taken
2018-007 (2013-007, 2016-004, 2016-026, 2016-027, 2017-028) Information Technology – College	Repeated. The College completed a formal review of Banner access during late mid-fiscal year, which did identify several weaknesses in access which has since been modified and corrected. The College has developed a plan for disaster recovery/business continuity; however, the infrastructure is currently not in place due to budgetary constraints. The College is still pursuing a cloud solution in collaboration with other colleges and universities. The College preserved only one and one-half years of data to support that the feeds had been tracked; however, the time extension was increased to two years. The College now preserves the data that supports the tracking of the feeds. The College established an information technology governing committee in late fall 2019, which includes key faculty and staff.
2018-008 (2015-001) Travel and Per Diem – College	Repeated. The two instances occurred early in the fiscal year shortly after the adoption of the Act. The College has since recouped the one overpayment and corrected and paid the one underpayment. The College has semi-annual training on the Act at convocation as well as trains new staff as needed to ensure policy is followed consistency.
2018-009 (2016-024) Unused Credit Card Machines – College	Resolved. Corrective action was taken.

Northern New Mexico College

Summary Schedule of Prior Audit Findings — continued
For the Year Ended June 30, 2019

Prior Audit Findings	Current Status
2018-010 (2017-004) Athletics – Sporting Events Internal Controls – College	Resolved. The College took corrective action to resolve the cash receipts internal control items noted in prior year's finding. Lack of policies and procedures over recruiting will be repeated in current year in finding # 2019-003.
2018-011 (2017-009) Lack of Reliable Supporting Documentation – Foundation	Resolved. Corrective action was taken.
2018-012 (2017-010) Administrative Fee Reduction – Foundation	Repeated and modified. The Foundation had been charging this fee which was inappropriate. The Foundation has ceased this practice.
2018-013 (2017-012) Cash Management	Repeated and modified. A process was established in mid fiscal year 2019 to ensure proper cash management when the noncompliance item was discovered. Subsequent draw reimbursements have been made after student refunds were made
2018-014 (2016-001) Late Audit Report and Late Submission of Unsigned Audit Contract – College	Repeated. The College was not able to hire new staff during the fiscal year as originally anticipated. The College has recently hired two new degreed accountants in fiscal year 2020.
2018-015 (2016-029) Anti-Donation Clause of the New Mexico Constitution – College	Repeated. The College continues the reconciliation of student accounts from a point forward which the data is valid, and will then work backwards to reconcile the receivables that were not reconciled when the data was converted from the old system to Banner. The College intends to bring additional resources to assist in this process as budgetary constraints allow.
2018-016 Cash Collateralization – College	Resolved. Corrective action was taken.
2018-017 (2016-005) Procurement Code Violations – Foundation	Repeated. Due to turnover in Foundation staff and Board members a new request for proposal was not completed during the fiscal year. The College is working with the current Foundation Board to complete a new request for proposal for investment advisor services.

Northern New Mexico College
Summary Schedule of Prior Audit Findings — continued
For the Year Ended June 30, 2019

Prior Audit Findings	Current Status
2018-018 Compliance with Investment Policy – Foundation	Repeated. Due to turnover in Foundation staff and Board members a revised investment policy was not completed during the fiscal year. The College will work with the current Foundation Board to update the policy.
2017-016 Controls over Subrecipient Monitoring	Resolved. Corrective action was taken.
2017-013 Controls over Equipment and Real Property Management	Repeated. The College was not able to conduct a thorough physical capital asset inventory for all assets in fiscal year 2019 although a physical inventory of all IT assets was completed. The College did receive support documentation for real property in fiscal year 2019, but did not timely prepare the adjustments. The College is now positioned to have a thorough, timely inventory at the end of fiscal year 2020 with the addition of newly hired staff.
2016-032 Lack of Complete Policies and Procedures	Resolved. Corrective action was taken.

Northern New Mexico College

Corrective Action Plan
June 30, 2019

Audit Finding	Management's Corrective Action Plan	Employee Person Responsible	Timeline and Estimated Completion Date
2019-001 (2013-001, 2013-002) Bank Reconciliations—Timeliness and Review Process—Material Weakness—College and Foundation	New staff have been hired early in fiscal year 2020 including a CGFM with over 25 years of experience and a staff accountant to perform the reconciliation process. Also, the College continues to utilize Banner functionality to automate the reconciliation process. Additionally, the College is recruiting to fill one additional accountant. The College does plan on utilizing additional contractual resources to assist with the cash reconciliation process.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller	June 30, 2020
2019-002 (2017-003, 2013-003) Capital Assets—Material Weakness and Other Noncompliance—College	The College did revise its' capitalization and disposition policies late last fiscal year. Additionally, the College did receive land acquisitions and valuation documentation, but does note that the changes were not incorporated by the end of the fiscal year. The College did conduct a full year-end inventory of all information technology related equipment, but did not do the same for the remainder of the capital assets due to staff limitations. With the addition of new staff including a CGFM and a staff accountant the year-end physical inventory of capital assets will be conducted in late June 2020.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller	June 30, 2020

Northern New Mexico College
Corrective Action Plan — continued
June 30, 2019

Audit Finding	Management's Corrective Action Plan	Employee Person Responsible	Timeline and Estimated Completion Date
2019-003 (2016-003, 2016-017) Financial Policies and Procedures—Material Weakness—College	The College did update and modify several policies during fiscal year 2019 and continues to review its' most critical financial policies and procedures. The College will continue to update current policies, many of which were created and not modified since the 1990's and or nonexistent policies to enhance internal control and be compliant with current federal and state laws and regulations. The College does have financial procedures that have not been codified into policy. Accordingly, the College continues to migrate all financial policies to a central location on its' website.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller, Cheryl James, Compliance Officer	June 30, 2020
2019-004 (2016-006) Segregation of Duties—Material Weakness—College	The College notes that the segregation, while strained with limited staff, was maintained with compensating controls. The College was not able to disassociate the payroll function and move it to the Business Office from the Human Resources until late in the fiscal year when the Request for Proposal and a contract for a third-party payroll processor was effected. All payroll functions are now under the purview of the Business Office. The College will continue to evaluate and modify its internal control process on a continuous basis.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller	June 30, 2020

Northern New Mexico College
Corrective Action Plan — continued
June 30, 2019

Audit Finding	Management's Corrective Action Plan	Employee Person Responsible	Timeline and Estimated Completion Date
2019-005 (2016-007, 2016-016, 2016-021, 2016-025) Trial Balance Maintenance and Account Reconciliation—Material Weakness—College	The College continued with staff shortages during most of the fiscal year, but has since hired competent staff to perform reconciliation and account maintenance functions including a CGFM and a staff accountant. Additionally, several changes were made on the posting and timing of journal entries which will assist in the reconciliation process and with the timely hard close of the accounting periods.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller	June 30, 2020
2019-006 Account Reconciliation and Analysis—Material Weakness—Foundation	The Foundation lacked staff to assist both College staff and contractor personnel with providing accurate information to assist in the preparation of financial reconciliations. The College will work with existing and contracted staff to prepare the reconciliations in a timelier and accurate fashion. The College has since hired competent staff to perform reconciliation and account and has budgeted resources for contractor personnel, if warranted.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller	June 30, 2020

Northern New Mexico College
Corrective Action Plan — continued
June 30, 2019

Audit Finding	Management's Corrective Action Plan	Employee Person Responsible	Timeline and Estimated Completion Date
2019-007 (2013-007, 2016-004, 2016-026, 2016-027, 2016-028) Information Technology (IT)—Significant Deficiency—College	The College completed a formal review of Banner access mid-fiscal year, which did identify several weaknesses in access which has since been modified and corrected. The College has developed a plan for disaster recovery/business continuity; however, the infrastructure is currently not in place due to budgetary constraints. The College is still pursuing a cloud solution in collaboration with other colleges and universities. The College now preserves two years' worth of data feeds. The College now preserves the data that supports the tracking of the feeds. The College established an information technology governing committee in late fall 2019, which includes key faculty and staff. The Committee is seeking a member of the Board of Regents to become one of the members.	Ricky Bejarano, Vice President of Finance and Administration, Jimi Montoya, Director of Information Technology	December 31, 2020
2019-008 (2017-010) Administrative Fee Reduction—Significant Deficiency—Foundation	The Foundation, due to lack of staff and Board Members, did not have a Gala in 2019, as such, no inappropriate fees were charged. Current Foundation Board Members have been made aware of this past and inappropriate practice along with the recommendation to adopt and formal administrative fee policy.	Ricky Bejarano, Vice President of Finance and Administration	June 30, 2020

Northern New Mexico College
Corrective Action Plan — continued
June 30, 2019

Audit Finding	Management's Corrective Action Plan	Employee Person Responsible	Timeline and Estimated Completion Date
2019-009 (2017-012) Cash Management—Material Weakness	Procedures had been established to ensure proper cash management during the fiscal year. Changes were made and practiced with the spring 2019 refunds and reimbursement draw request to ensure compliance.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller	June 30, 2020
2019-010 Special Tests and Provisions—Enrollment Reporting—Material Weakness	The Financial Aid Office and Business Office will work to remedy the deficiency, although in light of the timing of the finding full compliance is not anticipated to for resolution until the succeeding fiscal year.	Ricky Bejarano, Vice President of Finance and Administration, Jacob Pacheco, Director of Financial Aid, Cheryl James, Compliance Officer	June 30, 2021
2019-011 Special Tests and Provisions—Disbursements to or on Behalf of Students—Material Weakness	The Financial Aid Office and Business Office will work to remedy the deficiency, although in light of the timing of the finding full compliance is not anticipated to for resolution until the succeeding fiscal year.	Ricky Bejarano, Vice President of Finance and Administration, Jacob Pacheco, Director of Financial Aid, Cheryl James, Compliance Officer	June 30, 2021

Northern New Mexico College
Corrective Action Plan — continued
June 30, 2019

Audit Finding	Management's Corrective Action Plan	Employee Person Responsible	Timeline and Estimated Completion Date
2019-012 Special Tests and Provisions—Gramm Leach Bliley Act— Material Weakness	The Financial Aid Office and Business Office will work to remedy the deficiency, although in light of the timing of the finding full compliance is not anticipated to for resolution until the succeeding fiscal year.	Ricky Bejarano, Vice President of Finance and Administration, Jacob Pacheco, Director of Financial Aid, Cheryl James, Compliance Officer	June 30, 2021
2019-013 (2016-001) Late Audit Report—Other Noncompliance—College	The College concurs with the finding and highly anticipates compliance with 2.2.2 NMAC with the addition of new staff accountants.	Ricky Bejarano, Vice President of Finance and Administration	November 1, 2020
2019-014 (2016-029) Compliance Violation—Anti-Donation Clause of the New Mexico Constitution—Other Noncompliance—College	The College continues the reconciliation of student accounts from a point forward which the data is valid, and will then work backwards to reconcile the receivables that were not reconciled when the data was converted from the old system to Banner. The College intends to bring additional resources to assist in this process including utilizing external contractual resources.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller, Cheryl James Compliance Officer	June 30, 2021

Northern New Mexico College
Corrective Action Plan — continued
June 30, 2019

Audit Finding	Management's Corrective Action Plan	Employee Person Responsible	Timeline and Estimated Completion Date
2019-015 (2015-001) Travel and Per Diem—Other Noncompliance—College	The two instances occurred early in the fiscal year shortly after the adoption of the Act. The College has since recouped the one overpayment and corrected and paid the one underpayment. The College has semi-annual training on the Act at convocation as well as trains new staff as needed to ensure policy is followed consistency.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller, Cheryl James, Compliance Officer	December 31, 2019
2019-016 (2016-005) Procurement Code Violations—Other Noncompliance—Foundation	Due to turnover in Foundation staff and Board members a new request for proposal was not completed during the fiscal year. The College is working with the current Foundation Board to complete a new request for proposal for investment advisor services.	Ricky Bejarano, Vice President of Finance and Administration, Cheryl James, Compliance Officer, Foundation President	June 30, 2020
2019-017 (2018-018) Compliance with Investment Policy—Other Noncompliance—Foundation	The College Comptroller and VP will work with the Foundation and the investment manager to ensure that the investment policy is followed.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller	June 30, 2020

Northern New Mexico College
Exit Conference
June 30, 2019

An exit conference was held on December 20, 2019, with the College and a separate exit conference was held subsequent with the Foundation. The conference was held at the College's offices in Espanola, NM. In attendance:

Northern New Mexico College

Michael A. Martin	President, Board of Regents
Erica R. Velarde, PE	Vice President, Board of Regents
Dr. Rick J. Bailey, Jr.	President
Ricky A. Bejarano, CPA, CGMA	Vice President for Finance and Administration
Vince Lithgow, CGFM	Comptroller
Evette E. Abeyta	Budget Director
Bryan Maestas, CGFM	Accountant
Jeremy Romero	Accountant

Northern New Mexico College Foundation

Tania Sanchez	Foundation Secretary Treasurer
Michael A. Martin	President, Board of Regents
Dr. Rick J. Bailey Jr.	Foundation Board Member
Ricky A. Bejarano, CPA, CGMA	Vice President for Finance and Administration
Vince Lithgow, CGFM	College Comptroller
Evette E. Abeyta	College Budget Director
Bryan Maestas, CGFM	College Accountant
Jeremy Romero	College Accountant

REDWLLC

Anthony Gerlach, CPA (via teleconference)	Principal
Chris Bitakis, CPA	Senior Manager
Javier Machuca, CPA, CGFM (via teleconference)	Senior Manager
Emily Wilson, CPA	Senior Associate

Preparation of Financial Statements

The financial statements presented in this report have been prepared by the independent auditor; however, they are the responsibility of management, as addressed in the Independent Auditor's Report.