Northern New Mexico College

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

June 30, 2018

CPAs | Business & Financial Advisors

Northern New Mexico College

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Northern New Mexico College

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Office of the President
NORTHERN New Mexico College

THE NORTHERN FOUNDATION

Northern New Mexico College
Official Roster
Year Ended June 30, 2018

Board of Regents

Ex Officio Members

The Honorable Susana Martinez	Governor of the State of New Mexico
Christopher N. Ruszkowski	Cabinet Secretary, Public Education Department of NM
Dr. Barbara Damron	Cabinet Secretary, Higher Education Department of NM

Appointed Members

Kevin F. Powers	President
Robert Rhodes, Ph.D.	Vice President
Damian L. Martinez, Esq.	Secretary/Treasurer
D. Chris Ortega	Member
Joshua K. Jaio Martinez	Member (Student)

Principal Administrative Officials

Richard J. Bailey, Jr., Ph.D.	President
Ricky A. Bejarano, CPA, CGMA	Vice President for Finance and Administration
Ivan Lopez-Hurtado, Ph.D.	Provost

Foundation Board Members

Ex Officio Members

Richard J. Bailey, Jr., Ph.D.	President

Appointed Members

Melissa Montoya	President
Ryan Cordova	Vice President
Jeff Lunsford	Treasurer
Clarice Cata	Director
Alfred Herrera	Director
Dolores Martinez	Director
James Owen	Director
Lucrecia Jaramillo	Director
Cathrine Rosacker	Director
Tania Sanchez	Director

Principal Administrative Officials

Terry Mulert (through 5/25/2018)	Executive Director
Vacant (5/26/2018 – 6/30/2018)	Executive Director

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Independent Auditor's Report

To the Board of Regents
Northern New Mexico College
and
Mr. Wayne Johnson
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, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We 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, 2018, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. 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, 2018, which was a result of both insufficient and circumvented internal controls over financial reporting. 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, 2018, 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, 2018, 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, 2018, 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 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 was derived from and relates 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 19, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 19, 2018

Financial Statements

Northern New Mexico College
Statement of Net Position
June 30, 2018

	Primary Institution	Component Unit
Assets		
Current assets		
Cash and cash equivalents	$ 2,464,030	$ 540,064
Receivables, net	1,308,390	24,500
Due from component unit	251,435	-
Inventories	238,418	-
Prepaid expenses	6,962	-
Total current assets	4,269,235	564,564
Noncurrent assets		
Endowment investments	-	3,679,615
Nondepreciable capital assets	9,432,264	-
Capital assets, net	23,208,427	-
Total noncurrent assets	32,640,691	3,679,615
Total assets	36,909,926	4,244,179
Deferred Outflows of Resources		
Deferred outflows related to pension liability	10,242,788	-
Deferred outflows related to OPEB liability	157,827	-
Total deferred outflows of resources	10,400,615	-
Liabilities		
Current liabilities		
Accounts payable	914,459	186
Accrued salaries and other benefits	733,435	-
Accrued compensated absences	350,415	-
Loss contingency	250,000	-
Due to primary institution	-	251,435
Unearned revenue	146,629	20,177
Total current liabilities	2,394,938	271,798
Noncurrent liabilities		
Funds held for others	104,766	-
OPEB liability	7,815,776	-
Net pension liability	30,865,435	-
Total noncurrent liabilities	38,785,977	-
Total liabilities	41,180,915	271,798
Deferred Inflows of Resources		
Deferred inflows related to pension liability	2,523,457	-
Deferred inflows related to OPEB liability	1,778,852	-
Total deferred inflows of resources	4,302,309	-
Net Position		
Net investment in capital assets	32,640,691	-
Restricted		
Endowments	-	3,679,615
Unrestricted (deficit)	(30,813,374)	292,766
Total net position	$ 1,827,317	$ 3,972,381

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 June 30, 2018

	Primary Institution	Component Unit
Operating Revenues		
Tuition and fees, less scholarship allowance of $0	$ 4,053,491	$ -
Federal grants and contracts	5,478,665	-
State and local grants and contracts	804,956	-
Sales and services of auxiliary enterprises, less scholarship allowance of $0	664,431	-
Other grants and contracts	252,523	-
State land and permanent fund income	189,394	-
Contributions	-	189,231
Other	89,452	230,872
Total operating revenues	11,532,912	420,103
Operating Expenses		
Instruction	6,062,178	-
Instructional support	6,338,441	99,346
Student aid grants and stipends	4,602,109	-
Student services	1,697,951	-
Operations and maintenance support	1,847,535	-
Academic support	1,188,998	-
Auxiliary enterprises	839,250	-
Athletics	571,985	-
Public service	479,572	-
Student activities	93,625	-
Scholarships	-	139,425
Other	-	189,231
Depreciation	1,510,801	-
Total operating expenses	25,232,445	428,002
Operating loss	(13,699,533)	(7,899)
Nonoperating Revenues		
State appropriations	10,437,600	-
Capital appropriation	581,870	-
Investment income	-	167,913
Net nonoperating revenues	11,019,470	167,913
Change in net position	(2,680,063)	160,014
Net position, beginning of year, as previously reported	14,049,234	3,816,111
Restatement (see Notes 15 and 22)	(9,541,854)	(3,744)
Net position, beginning of year, as restated	4,507,380	3,812,367
Net position, end of year	$ 1,827,317	$ 3,972,381

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

Northern New Mexico College
Statement of Cash Flows
For the Year June 30, 2018

	Primary Institution
Cash flows from operating activities	
Tuition and fees	$ 4,328,548
Grants and contracts	5,484,861
Sales and services of educational activities	664,431
State and local grants and contracts	798,760
State and local permanent income	189,394
Other grants and contracts	252,523
Other operating receipts	89,452
Payments for employees for salaries and benefits	(9,760,261)
Payments to suppliers	(10,764,913)
Loans and grants issued to students and employees	(1,515,331)
Net cash used by operating activities	(10,232,536)
Cash flows from noncapital financing activities	
State appropriations - noncapital	11,042,906
Net cash provided by noncapital financing activities	11,042,906
Cash flows from capital and related financing activities	
Purchase of capital assets	(780,667)
Net cash used by capital and related financing activities	(780,667)
Net increase in cash and cash equivalents	29,703
Cash and cash equivalents, beginning of year	2,434,327
Cash and cash equivalents, end of year	$ 2,464,030

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

Northern New Mexico College
Statement of Cash Flows — continued
For the Year June 30, 2018

	Primary Institution
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	$ (13,699,533)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	1,510,801
Changes in assets and liabilities	
Receivables	311,112
Inventories	29,033
Due from component unit	(132,217)
Deferred inflows, deferred outflows and pension and OPEB liability	(5,880,841)
Accrued payroll	8,054,585
Accounts payable	378,236
Accrued loss contingency	(730,207)
Unearned revenue	(35,505)
Deposits held in trust for other	(550)
Funds held for others	(37,450)
Net cash used by operating activities	$ (10,232,536)

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 definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

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, 2018, 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.

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 2018. 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.

Contracts and Grants Receivable. Contracts and grants receivable are amounts due from the federal government, state and local governments or private resources in connection with reimbursement of allowable expenditures made pursuant to the College’s grant awards. Contract and grant receivables are recorded net of estimated uncollectible amounts.

Student Accounts 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. The College does not currently capitalize historical treasures or works of art.

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.

Post-Employment Benefits
For purposes of measuring the net pension and other post-employment benefits (OPEB) liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to and deductions from the plans' fiduciary net position have been determined on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms.

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, 2018, 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, 2018, 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, 2018, the College is reporting a deficit balance of $30,813,374 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 allowance to reduce student tuition and fees for fiscal year 2018.

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

In 2018, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and restated beginning net position. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension,* as amended, and No 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employers Plans, for OPEB.*

This new standard requires the College to recognize a liability for its proportionate share of the New Mexico Retiree Health Care Authority (NMRHCA) net OPEB liability, to recognize OPEB expense and to report deferred outflows and inflows of resources related to OPEB.

The primary effect was to record the College's net OPEB liability of $7,815,776 on the statement of net position as of June 30, 2018. The cumulative effect of applying this statement was reported as a restatement of beginning net position in the amount of $9,283,896. See Note 15.

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2018:

- GASB Statement No. 83, *Certain Asset Retirement Obligations.*
- GASB Statement No. 84, *Fiduciary Activities.*
- GASB Statement No. 87, *Leases.*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.*
- 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.*

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, 2018, is as follows:

Cash on hand	$	2,544
Deposits with financial institutions		2,461,486
Total cash	$	2,464,030

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, 2018, the College's deposits had carrying amounts of $2,461,486 and bank balances of $3,044,774.

Of the bank balances, $500,000 was covered by federal depository insurance corporation at June 30, 2018, and $1,380,105 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 and uncollateralized deposits are as follows:

	Century Bank	New Mexico Bank and Trust
Total amount on deposit	$ 2,600,986	$ 443,788
Less FDIC coverage	(250,000)	(250,000)
Total uninsured public funds	2,350,986	193,788
50% collateral requirement	1,175,493	96,894
Pledged securities, fair value	1,380,105	-
Deficiency/(excess) in pledged collateral	$ (204,612)	$ 96,894

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 Revenue, 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, 2018, was as follows:

Balance of the College's Beneficial Interest	$	3,505,711
Income received from the College's beneficial interest in the LGPF		124,345

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

4) Receivables

The various sources of receivables at June 30, 2018, 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.		$ 614,379
Student Accounts Receivable		
Amounts due from students are for tuition and fees not covered by financial aid.		
Total due	$ 1,635,466	
Allowance for doubtful receivables	(1,217,981)	
Student accounts receivable, net		417,485
Loan Receivable		
Federal Perkins loans		90,706
Other Receivables		
Capital grants		115,049
Miscellaneous receivables		70,771
Total receivables, net		$ 1,308,390

5) Inventories

Inventories at June 30, 2018, were as follow:

Bookstore inventories	$	231,787
Cafeteria inventories		6,631
	$	238,418

6) Capital Assets

A summary of changes in capital assets for the year ended June 30, 2018, as follows:

	Balance at June 30, 2017	Additions	Deletions/ Adjustments	Transfers	Balance at June 30, 2018
Capital assets not being depreciated					
Art	$ 28,500	$ -	$ -	$ -	$ 28,500
Construction in progress	1,991,242	581,619	-	(49,964)	2,522,897
Land and improvements	6,880,864	-	-	-	6,880,864
Total capital assets not being depreciated	8,900,606	581,619	-	(49,964)	9,432,261
Capital assets being depreciated					
Automobiles	418,028	32,686	-	-	450,714
Building and improvements	53,129,463	-	-	49,964	53,179,427
Furniture, fixtures and equipment	3,145,928	149,026	(275,767)	-	3,019,187
Library materials	3,180,588	17,336	-	-	3,197,924
Total capital assets being depreciated	59,874,007	199,048	(275,767)	49,964	59,847,252
Total capital assets	68,774,613	780,667	(275,767)	-	69,279,513
Less accumulated depreciation for					
Automobiles	375,070	28,258	-	-	403,328
Building and improvements	29,861,119	1,018,301	-	-	30,879,420
Furniture, fixtures and equipment	2,161,239	348,033	(252,331)	-	2,256,941
Library materials	2,982,924	116,209	-	-	3,099,133
Total accumulated depreciated	35,380,352	1,510,801	(252,331)	-	36,638,822
Total capital assets being depreciated, net	24,493,655	(1,311,753)	(23,436)	49,964	23,208,430
Total capital assets, net	$ 33,394,261	$ (730,134)	$ (23,436)	$ -	$ 32,640,691

There were no outstanding construction commitments at June 30, 2018.

7) Compensated Absences

A summary of changes in compensated absences for the year ended June 30, 2018, follows:

	Balance at June 30, 2017, As Restated (Note 15)	Increases	Decreases	Balance at June 30, 2018	Due within One Year
Compensated absences	$ 364,212	$ 434,394	$ (448,191)	$ 350,415	$ 350,415

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, 2018, were $180,116. Future minimum lease payments under these operating leases are as follows:

2019	$ 166,956
2020	29,000
	$ 195,956

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.

<u>Educational Retirement Act</u>
Plan Description. Substantially all of the College's eligible employees, except those who participate in the Alternative Retirement Plan (ARP) described below, participate in a public employee retirement system authorized under the Education Retirement Act (ERA) of the State of New Mexico (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit pension plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members (certified teachers and other employees of the State's public school districts, institutions of higher learning, and agencies providing educational programs) and beneficiaries. ERB issues a separate, publicly available financial report that includes

financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

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.

Funding Policy. The contribution requirements of plan members and the College are established in state statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by the acts of the Legislature.

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

	2018	2017	2016
Employee's earning $20,000 or less:			
College contribution	**13.90%**	13.90%	13.90%
Employee contribution	**7.90%**	7.90%	7.90%
Employee's earning more than $20,000:			
College contribution	**13.90%**	13.90%	13.90%
Employee contribution	**10.70%**	10.70%	10.70%
College's contribution to ERB	**$ 1,080,854**	$ 1,050,029	$ 1,106,630
Employee's contribution to ERB	**824,834**	796,137	840,684

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

	2018	2017	2016
Employee's earning $20,000 or less:			
College contribution	**13.90%**	13.90%	13.90%
Employee contribution	**7.90%**	7.90%	7.90%
Employee's earning more than $20,000:			
College contribution	**13.90%**	13.90%	13.90%
Employee contribution	**10.70%**	10.70%	10.70%
Employee's contribution to ERB for Return to Work Program	**$ 6,509**	$ 8,817	$ 6,819
College's contribution to ERB for Return to Work Program	**9,117**	11,547	9,035
College's contribution to ERB for PERA Return to Work Program	**36,151**	27,334	34,810

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

The total ERB pension liability, net pensions liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2016. The total ERB pension liability was rolled forward from the valuation date to the Plan year June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. At June 30, 2018, the College reported a liability of $30,685,435 for its proportionate share of the net pension liability. The College's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2017. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2017, the College's proportion was .27773%, which was a decrease of 0.0151% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the College recognized pension expense of $3,343,312. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actuarial experience	$ 55,406	$ 475,511
Change in assumptions	9,010,227	-
Net difference between projected and actual earnings on pension plan investments	-	4,234
Changes in proportion and differences between College contributions and proportionate share of contributions	-	2,043,712
College contributions subsequent to the measurement date	1,177,155	-
Total	$ 10,242,788	$ 2,523,457

The $1,177,155 reported as deferred outflows of resources related to pensions relating from College contributions subsequent to the measurement date June 30, 2017, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

Fiscal year ending June 30,	
2019	$ 2,025,130
2020	2,853,620
2021	1,917,579
2022	(254,153)
Total	$ 6,542,176

Actuarial Assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year June 30, 2018, using generally accepted actuarial principles. Specifically, the liabilities measured as of June 30, 2017, incorporate the following assumptions:

1) All members with an annual salary of more than $20,000 will contribute 10.70% during the fiscal year ending June 30, 2015, thereafter.
2) Members hired after June 30, 2013, will have an actuarially reduced retirement benefit if they retire before age 55 and their Cost of Living Adjustment (COLA) will be deferred until age 67.
3) COLAs for most retirees are reduced until ERB attains a 100% funded status.
4) These assumptions were adopted by ERB on June 12, 2015, in conjunction with the six-year experience study period ending June 30, 2014.

For the purpose of projecting future benefits, it is assumed that the full COLA is paid in all future years.

The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry age normal
Inflation	3.00%
Salary Increases	Composition: 3% 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%
Single Discount Rate	5.90%
Mortality	Healthy males: RP-2000 Combined Mortality Table with White Collar Adjustment, generational mortality improvements with Scale BB.
	Healthy females: GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB form the table's base year of 2012.
Retirement Age	Experience based on table of age and service. Adopted by NMERB on June 12, 2015, in conjunction with the six-year experience study for the period ended June 30, 2014.
Cost-of-Living Increases	2% per year, compounded annually
Payroll Growth	3.5% per year
Contribution Accumulation	5.5% increase per year for all years prior to the valuation date
Disability Incidence	Approved rates applied to eligible members with at least 10 year of service.

The long-term expected rate of return on pension plan investments is determined annually using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges 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 and by adding expected inflation.

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 - Domestic	**20%**	8.00%
Equities - International	**15%**	8.57%
Fixed Income	**28%**	4.35%
Alternatives	**36%**	7.38%
Cash	**1%**	3.25%
Total	**100%**	

Discount rate. A single discount rate of 5.90% was used to measure the total ERB pension liability as of June 30, 2017. This single discount rate was based on the expected rate of return on pension plan investments of 7.25%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the ARP, ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
$ 40,179,121	$ 30,865,435	$ 23,252,255

Pension Plan Fiduciary Net Position

Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2017, which is publicly available at www.nmerb.org.

Alternative Retirement Program

Plan Description. The New Mexico Alternative Retirement Plan (ARP) was established by amendment to Chapter 22, Article 11, Section 47 to 52. Certain faculty and professional staff hired on or after July 1, 1991, may elect to participate in an alternative defined contribution retirement plan in lieu of participation in the ERA in accordance with policies stipulated by the Board of Regents. The two carriers approved by the ERB are the Teachers Insurance and Annuity Association/College Retirement Equities Fund and Fidelity Investments. Employees are allowed to transfer between carriers once each year. Vesting is immediate and benefits may be distributed as an annuity, a roll over, or a withdrawal.

Effective July 1, 2009, employees, after 7 years of contribution to the ARP, have a one-time opportunity to move to the ERB's defined benefit plan. Section 51 allows members of the ARP the option to cash out or rollover the ARP account once they have left employment.

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

	2018	2017	2016
Employee's earning $20,000 or less:			
College contribution	**10.90%**	10.90%	10.90%
Employee contribution	**10.70%**	7.90%	7.90%
Employee's earning more than $20,000:			
College contribution	**10.90%**	10.90%	10.90%
Employee contribution	**10.70%**	10.70%	10.70%
3% Contribution to ERB for ARP Participants	**3.00%**	3.00%	3.00%
Payroll expenses-ARP Wages	**$ 261,773**	$ 283,913	$ 405,957
3% Contribution to ERB for ARP Wages	**7,853**	8,517	12,179

10) New Mexico Retiree Health Care Authority Plan

Summary of Significant Accounting Policies

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

a. *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, 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. That report and further information can be obtained at the following website: www.nmrhca.state.nm.us/Pages/audit-reports.aspx

b. *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.

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

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
Total	160,035

Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
Total	97,349

d. *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 nonrefundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the College were $157,827 for the year ended June 30, 2018.

e. *OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB.*

At June 30, 2018, the College reported a liability of $7,815,776 for its proportionate share of the net OPEB liability. The new OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the College's proportion was 0.17247 percent.

For the year ended June 30, 2018, the College recognized OPEB expense of $310,730. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 299,928
Changes of assumptions	-	1,366,489
Net difference between actual and projected earnings on OPEB plan investments	-	112,435
Contributions made after the measurement date	157,827	-
Total	$ 157,827	$ 1,778,852

Deferred outflows of resources totaling $157,827 represent the College's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. 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,	
2019	$ (378,196)
2020	(378,196)
2021	(378,196)
2022	(378,196)
2023	(266,068)
Total	$ (1,778,852)

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

Actuarial 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	-	3.50%
Investment rate of return	-	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation.
Health care cost trend rate	-	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs.
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.

g. *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	4.1%
U.S. equity – large cap	9.1
Non-U.S. – emerging markets	12.2
Non-U.S. – developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity – small/mid cap	9.1

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

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

1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
$ 9,480,415	$ 7,815,776	$ 6,509,718

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
$ 6,647,856	$ 7,815,776	$ 8,726,466

j. *OPEB plan fiduciary net position*. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017, at www.nmrhca.state.us/Pages/audit-reports.aspx

k. *Payable changes in the net OPEB liability*. At June 30, 2018, the College reported a payable of $0 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

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, 2017 through June 30, 2018. 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.

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 based on a series of contracts related to capital improvement projects to build dorms. The dispute between the College and the construction company alleges breach on contract. The College has recently changed legal representation. Prior to the change, the College offered $100,000 to settle the claim which was rejected and a counteroffer was received. In light of new approach the current legal representation has taken, management's estimate of the settlement value is $40,000 to $50,000 and that would be primarily to avoid any liability exposure and the defense costs that are associated with a trial on the merits. No amount has been recorded in the College's financial statements for the fiscal year ended June 30, 2018.

The College is involved in litigation related to a Whistleblower Protection Act claim. The College has recorded a total amount of $250,000 as a loss contingency related to this claim.

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, 2018, between the College and the Foundation. The Foundation does not issue separate financial statements.

	Foundation to College	College to Foundation
Operating costs	$ -	$ 164,476
Scholarships	139,425	-
Total	$ 139,425	$ 164,476

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 2018, the College funded the Athletic Department with instruction and general funding in the amount of $267,186 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 currently party to various litigation claims brought against the College in the ordinary course of business. After conferring with legal counsel concerning pending litigation and claims, College administration has recorded liabilities for the estimated claims and believes that the outcome of pending litigation should not have a materially adverse effect on the financial position or operations of the College.

15) Restatement of Beginning Net Position

Net position as of July 1, 2017, has been restated due to corrections in previously reported amounts and for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), as amended by GASB Statement No. 85, Omnibus 2017*.

The following table presents the impact of the change in accounting principle and corrections to previously reported amounts on the College's net position:

	College
Net position, July 1, 2017, as previously reported	$ 14,049,234
Prior-period adjustment - implementation of GASB 75	
Net OPEB liability (measurement date as of June 30, 2016)	(9,431,979)
Deferred outflows - College contributions made during fiscal year 2017	148,083
Net adjustments due to implementation of GASB 75	(9,283,896)
Adjustment for embezzlement	(233,805)
Correction of error	(24,153)
Total prior-period adjustments of previously reported balances	(9,541,854)
Net position, July 1, 2017, as restated	$ 4,507,380

The correction of an error is related to an increase in the beginning compensated absences liability of $25,882 and a decrease in prior year accounts payable in the amount of $1,729.

NOTES TO THE FINANCIAL STATEMENTS – NORTHERN NEW MEXICO COLLEGE FOUNDATION

16) Summary of Significant Accounting Policies

Creation and Purpose of Entity
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 approximate 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.

Investments

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.

Unearned Revenue

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.

Net Position
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, 2018; 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, 2018:

- GASB Statement No. 83, *Certain Asset Retirement Obligations.*
- GASB Statement No. 84, *Fiduciary Activities.*
- GASB Statement No. 85, *Omnibus 2017.*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues.*
- GASB Statement No. 87, *Leases.*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.*
- 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.*

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.

17) Cash and Cash Equivalents

A summary of cash and cash equivalents as of June 30, 2018, is as follows:

Cash and cash equivalents		
Deposits with financial institutions	$	437,309
Money market mutual funds		102,755
Total cash and cash equivalents	$	540,064

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 ledge 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, 2018, the Foundation's deposits in the Century Bank accounts had carrying amounts of $437,309 and bank balances of $443,908. The Foundation does not have a policy for custodial credit risk. As of June 30, 2018, $193,908 of the Foundation's bank balance with Century Bank was uninsured and exposed to custodial credit risk.

In addition, at June 30, 2018, the Foundation had money market accounts invested through Kestra Investment Services, LLC, in the amount of $102,755, which were insured through the Securities Investor Protection Corporation (SIPC).

18) Investments

Investment Policy

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.

Credit Risk

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	Equity Mutual Fund	Fixed Income Exchange Traded Fund	Fixed Income Mutual Fund	Other Mutual Fund	Other Exchange Traded Fund	Real Estate Investment Trust (REIT)	Total
AAA	$ -	$ -	$ 34,510	$ -	$ -	$ 70,986	$ -	$ 105,496
AA -	-	-	-	24,857	-	-	-	24,857
A+	-	790,071	34,440	3,196	-	-	-	827,707
A	-	-	51,916	13,719	-	-	-	65,635
BBB	-	-	631,778	609	-	-	-	632,387
BBB-	-	-	-	1,375	-	-	-	1,375
BB	-	-	-	4,570	-	-	-	4,570
BB-	-	-	-	7,807	-	-	-	7,807
B	-	-	18,277	6,134	-	-	-	24,411
Unrated	1,575,147	81,047	38,639	6,098	2,284	11,075	271,080	1,985,370
Total	$ 1,575,147	$ 871,118	$ 809,560	$ 68,365	$ 2,284	$ 82,061	$ 271,080	$ 3,679,615

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, 2018.

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, 2018, 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	$ 809,560	79.88 %
Real Estate Investment Trust (REIT) (50%)	135,540	13.37
Fixed Income Mutual Fund	68,365	6.75
Total foundation fixed income investments	$ 1,013,465	100.00 %
Total fixed income as a percentage of total investments		27.54 %

b. The equity securities portion of the und 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 und 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	$ 1,575,147	59.08 %
Equity Mutual Fund	871,118	32.67
Real Estate Investment Trust (REIT)	135,540	5.08
Other Exchange Traded Fund	82,061	3.08
Other Mutual Fund	2,284	0.09
Total foundation equity investments	$ 2,666,150	100.00 %
Total equity securities as a percentage of total investments		72.46 %

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, 2018.

Fair Value Measurements

The Foundation adopted the Governmental Accounting Standards Board (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, 2018:

	Fair Value Measurements Using		
	Fair Value	Level 1	Level 3
Equity Exchange Traded Fund	$ 1,575,147	$ 1,575,149	$ -
Equity Mutual Fund	871,118	871,118	-
Fixed Income Exchange Traded Fund	809,560	809,560	-
Other Exchange Traded Fund	82,061	82,061	-
Fixed Income Mutual Fund	68,365	68,365	-
Other Mutual Fund	2,284	2,284	-
Real Estate Investment Trust (equity)	271,080	-	271,080
	$ 3,679,615	$ 3,408,537	$ 271,080

19) 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, 2018, between the College and the Foundation. The Foundation does not issue separate financial statements.

	Foundation to College	College to Foundation
Operating costs	$ -	$ 164,476
Scholarships	139,425	-
Total	$ 139,425	$ 164,476

20) 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.

21) 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.

22) Restatement of Beginning Net Position

As a result of reconciling receivables balances during the fiscal year ended June 30, 2018, the Foundation identified a restatement to beginning net position in the amount of $3,744.

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, 2018

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

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

	2018	2017	2016
College's proportion of the net pension liability (asset)	**0.27773%**	0.2928%	0.3196%
College's proportionate share of the net pension liability (asset)	**$ 30,865,435**	$ 21,071,157	$ 20,701,991
College's covered - employee payroll	**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	**368.41%**	259.57%	237.23%
Plan fiduciary net position as a percentage of total pension liability	**52.95%**	61.58%	66.65%

Schedule of the College's Contributions

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

	2018	2017	2016
Contractually required contribution	**$ 1,177,155**	$ 1,077,546	$ 1,262,881
Contributions in relation to contractually required contributions	**1,177,155**	1,077,546	1,262,881
College's covered - employee payroll (actual)	**8,377,976**	8,117,792	8,726,377
Contributions as a percentage of covered-employee payroll	**14.05%**	13.27%	14.47%

* 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, 2018

1) Pension Plan

Change in Accounting Principle. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Northern New Mexico College
Schedule of Proportionate Share of the Net OPEB Liability and Schedule of Contributions
For the Year Ended June 30, 2018

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

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

	2018
College's proportion of the net OPEB liability	0.17247%
College's proportionate share of the net OPEB liability	$ 7,815,776
College's covered - employee payroll	7,184,492
College's proportionate share of the net OPEB liability as a percentage of covered payroll	108.79%
Plan fiduciary net position as a percentage of total OPEB liability	11.34%

Schedule of the College's Contributions

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

	2018
Contractually required contribution	$ 547,673
Contributions in relation to contractually required contributions	274,871
Contribution deficiency (excess)	272,802
College's covered - employee payroll (actual)	7,184,492
Contributions as a percentage of covered-employee payroll	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.

Supplementary Information

Northern New Mexico College
Budgetary Comparison – Restricted and Unrestricted –
All Operations (Modified Accrual)
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts (Modified Accrual)	Variance Favorable (Unfavorable)
	Original	Final		
Beginning, net position balance (modified accrual basis)	$ 781,308	$ 1,735,500	**$ 1,735,500**	$ -
Revenues				
State government appropriations	11,352,979	11,066,349	**11,019,470**	(46,879)
Federal government contracts and grants	5,864,410	6,487,078	**5,484,861**	(1,002,217)
State government contracts and grants	951,156	818,630	**798,760**	(19,870)
Private gifts, grants, and contracts	305,129	331,209	**252,523**	(78,686)
Tuition and miscellaneous fees	3,923,519	3,386,474	**4,053,491**	667,017
Land and permanent fund	163,525	165,263	**189,394**	24,131
Sales and services	645,563	831,211	**664,431**	(166,780)
Other	110,566	101,214	**89,452**	(11,762)
Total revenues	23,316,847	23,187,428	**22,552,382**	(635,046)
Expenditures				
Instruction	7,051,455	6,260,349	**6,248,756**	11,593
Student social and cultural activities	87,880	98,997	**93,625**	5,372
Academic support	1,088,520	1,185,943	**1,181,361**	4,582
Student services	1,827,390	1,811,884	**1,697,951**	113,933
Institutional support	4,131,433	4,028,908	**3,916,324**	112,584
Operation and maintenance of plan	1,952,045	1,901,894	**1,839,835**	62,059
Public service	574,306	492,234	**487,384**	4,850
Internal service	169,739	246,908	**147,257**	99,651
Auxiliary enterprises	859,053	818,857	**806,033**	12,824
Capital outlay	914,679	633,598	**616,052**	17,546
Renewal and replacement	230,000	230,000	**156,010**	73,990
Student aid, grants, and stipends	4,534,943	4,835,346	**4,426,609**	408,737
Intercollegiate athletics	676,712	671,684	**571,985**	99,699
Total expenditures	24,098,155	23,216,602	**22,189,182**	1,027,420
Change in net position (modified accrual basis)	(781,308)	(29,174)	**363,200**	392,374
Ending, net position (modified accrual basis)	$ -	$ 1,706,326	**$ 2,098,700**	$ 392,374

Northern New Mexico College
Budgetary Comparison – Restricted –
Instruction and General (Modified Accrual)
For the Year Ended June 30, 2018

	Budgeted Amounts		**Actual Amounts (Modified Accrual)**	Variance Favorable (Unfavorable)
	Original	Final		
Beginning, net position balance (modified accrual basis)	$ -	$ -	**$ -**	$ -
Revenues				
Federal government contracts and grants	2,105,156	1,914,791	**1,666,087**	(248,704)
State government contracts and grants	174,700	213,396	**203,773**	(9,623)
Private gifts, grants, and contracts	94,129	94,570	**47,655**	(46,915)
Total revenues	2,373,985	2,222,757	**1,917,515**	(305,242)
Expenditures				
Instruction	1,621,478	1,371,780	**1,345,753**	26,027
Academic support	8,970	7,637	**7,602**	35
Student services	608,110	633,498	**606,871**	26,627
Institutional support	24,520	26,011	**15,709**	10,302
Operation and maintenance of plan	-	25,000	**7,179**	17,821
Total expenditures	2,263,078	2,063,926	**1,983,114**	80,812
Net transfers - in (out)	(110,907)	(158,831)	**65,599**	224,430
Ending, net position (modified accrual basis)	$ -	$ -	**$ -**	$ -

Northern New Mexico College
Budgetary Comparison – Unrestricted – Instruction and General (Modified Accrual)
For the Year Ended June 30, 2018

	Budgeted Amounts		**Actual Amounts (Modified Accrual)**	Variance Favorable (Unfavorable)
	Original	Final		
Beginning, net position balance (modified accrual basis)	$ 670,741	$ 2,297,862	**$ 2,297,862**	$ -
Revenues				
State government appropriations	9,939,900	9,939,900	**9,939,600**	(300)
Federal government contracts and grants	3,075	3,115	**3,230**	115
Tuition and miscellaneous fees	3,324,519	3,386,474	**6,896,066**	3,509,592
Land and permanent fund	163,525	165,263	**189,394**	24,131
Sales and services	435	1,808	**874,363**	872,555
Other	74,316	94,700	**94,050**	(650)
Total revenues	13,505,770	13,591,260	**17,996,703**	4,405,443
Expenditures				
Instruction	5,429,977	4,888,569	**4,903,003**	(14,434)
Academic support	1,079,550	1,178,306	**1,173,759**	4,547
Student services	1,219,281	1,178,386	**1,091,080**	87,306
Institutional support	4,106,912	4,002,897	**3,900,615**	102,282
Operation and maintenance of plan	1,952,045	1,876,894	**1,832,656**	44,238
Total expenditures	13,787,765	13,125,052	**12,901,113**	223,939
Net transfers - in (out)	(499,314)	(1,189,203)	**(323,211)**	865,992
Change in net position (modified accrual basis)	(781,309)	(722,995)	**4,772,379**	5,495,374
Ending, net position (modified accrual basis)	$ (110,568)	$ 1,574,867	**$ 7,070,241**	$ 5,495,374

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, 2018

Total Restricted and Unrestricted Revenues

Budgetary basis (modified accrual)	$ 22,552,382
Financial statement basis	$ 22,552,382

Basic Financial Statements

Operating revenues	$ 11,532,912
Nonoperating revenues	11,019,470
Total restricted and unrestricted revenues according to financial statements	$ 22,552,382

Total Restricted and Unrestricted Expenditures

Budgetary basis (modified accrual)	$ 22,189,182
Reconciling items	
Capital outlay (not in financial statements)	780,667
Scholarship allowance (not in modified accrual basis)	3,072,465
GASB 75 Other post-employment liability adjustment (reduction) expense	(152,905)
GASB 68 Pension liability adjustment (reduction) expense	(2,144,329)
Depreciation expense (not in modified basis)	1,510,801
Loss on disposal of capital asset	(23,436)
Total reconciling items	3,043,263
Financial statement basis	$ 25,232,445

Basic Financial Statements

Operating expenditure	$ 25,232,445
Total restricted and unrestricted revenues according to financial statements	$ 25,232,445

Other Supplementary Information

Northern New Mexico College
Schedule of Deposit Accounts
June 30, 2018

Depository Account Name	Type of Account	Cash Per Bank June 30, 2018	Add Deposits in Transit	Less Outstanding Checks	Other Reconciling Items	Adjusted Cash Balance June 30, 2018
COLLEGE						
Century Bank						
General	Checking*	$ 2,550,121	$ -	$ -	$ (485,877)	$ 2,064,244
Payroll	Checking*	6,655	-	-	-	6,655
Student	Checking*	1,259	-	-	-	1,259
Perkins	Checking*	34,242	-	-	-	34,242
Luis Bustos	Checking*	6,677	-	-	-	6,677
Savings	Savings*	2,032	-	-	-	2,032
New Mexico Bank and Trust						
General	Checking*	443,788	-	-	(97,411)	346,377
Cash in bank		3,044,774	-	-	(583,288)	2,461,486
Petty cash and cash drawers		2,544	-	-	-	2,544
Total college cash		$ 3,047,318	$ -	$ -	$ (583,288)	$ 2,464,030
FOUNDATION						
Charles Stephen and Company						
Money market account	Money market*	$ 102,755	$ -	$ -	$ -	$ 102,755
Century Bank						
Operating	Checking*	29,268	289	(6,888)	-	22,669
Unrestricted	Checking*	207,609	-	-	-	207,609
Temporary restricted	Checking*	138,427	-	-	-	138,427
Permanently restricted	Savings*	68,604	-	-	-	68,604
Cash in bank		546,663	289	(6,888)	-	540,064
Petty cash and cash drawers		-	-	-	-	-
Total foundation cash and cash equivalents		$ 546,663	$ 289	$ (6,888)	$ -	$ 540,064

* Indicates the account is interest bearing.

Northern New Mexico College
Schedule of Pledged Collateral
June 30, 2018

Pledged Collateral Safekeeping Location/Type of Security	College Century Bank	New Mexico Bank and Trust	Total
Funds on deposit			
Demand deposits	$ 2,598,954	$ 443,788	$ 3,042,742
Savings deposits	2,032	-	2,032
Total	2,600,986	443,788	3,044,774
FDIC insurance			
Demand deposits	(250,000)	(250,000)	(500,000)
Total Uninsured Public Funds	$ 2,350,986	$ 193,788	$ 2,544,774
Fifty percent collateral required per Section 6-10-17 NMSA	$ 1,175,493	$ 96,894	$ 1,272,387
Pledged Collateral			
FHDA Albuquerque NM MunSchDis No012 Matures 8/1/2027 CUSIP #013595UA9	580,265	-	580,265
FHR 3890 BA Matures 11/15/2040 CUSIP #: 3137ADHX8	197,692	-	197,692
Gadsden N Mex Indpt Sch Dist. NO016 Matures 8/15/2020 CUSIP #: 362550MX0	602,148	-	602,148
Total pledged collateral	1,380,105	-	1,380,105
Deficiency/(excess) in pledged collateral	$ (204,612)	$ 96,894	$ (107,718)

Single Audit

Northern New Mexico College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Agency/Pass-Through Agency/Name of Program	Pass-Through Number	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S Department of Agriculture				
Passed-through New Mexico State University				
Hispanic Servicing Institutions Education Grants Program	Q01820	10.223	$ 19,231	$ -
Total U.S. Department of Agriculture			19,231	-
Air Force Research Laboratory				
Passed-through New Mexico Tech:				
Research and Technical Assistance	FA9453-18-3-0073	12.615	9,890	-
Total Air Force Research Laboratory			9,890	-
National Science Foundation				
Research and Development Cluster				
Direct programs				
Education and Human Resources		47.076	493,627	-
Geosciences		47.050	155,643	-
Computer and Information Science and Engineering		47.070	47,449	-
Passed-through New Mexico Tech				
Education and Human Resources	DUE-1161334	47.076	8,356	-
Passed-through New Mexico State University				
Education and Human Resources	HRD-1305011	47.076	15,688	-
Total Research and Development Cluster			720,763	-
Total National Science Foundation			720,763	-
Small Business Administration				
Passed-through Santa Fe Community College				
Small Business Development Centers	SBAHQ-17-B-0031	59.037	21,881	-
Total Small Business Administration			21,881	-
U.S. Department of Education				
Direct Programs				
Student Financial Assistance Cluster				
Federal Supplemental Education Opportunity Grant		84.007	90,179	-
Federal Work Study Program		84.033	103,081	-
Federal Pell Grant Program		84.063	2,673,823	-
Federal Direct Student Loans-Subsidized		84.268	330,236	-
Federal Direct Student Loans-Unsubsidized		84.268	190,074	-
Federal Direct Student Plus Loans		84.268	4,113	-
Total Student Financial Assistance Cluster			3,391,506	-
Higher Education Institutional Aid		84.031	61,782	5,929
TRIO Upward Bound (TRIO Cluster)		84.047	184,000	-
Migrant Education High School Equivalency Program		84.141	392,103	-
Migrant Education College Assistance Migrant Program		84.149	424,740	-
Passed-through State of New Mexico				
Career and Technical Education - Basic Grants to State Grants	V046A110031	84.048	80,034	-
Adult Education Basic Grants to States	V002A110032	84.002	78,862	-
Total U.S. Department of Education Programs			4,613,027	5,929
National Institutes of Health				
Passed-through University of Texas at El Paso				
Trans-NIH Research Support	5UL1GM1189700-04	93.310	16,008	-
Passed-through New Mexico State University				
Biomedical Research and Research Training	2P20GM103451	93.859	77,865	6,508
Total National Institutes of Health			93,873	6,508
Total schedule of expenditures of federal awards			$ 5,478,665	$ 12,437

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, 2018

1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") presents all grant and contract activity of the Northern New Mexico College (the "College") for the year ended June 30, 2018. 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*. 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 of Expenditures of Federal Awards is prepared on the accrual basis of accounting. Such expenditures are recognized following the cost principles under Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

3) Subrecipients

Of the federal expenditures presented in the Schedule, the College provided awards to subrecipients as follows:

Subrecipient Name/Program Title	Federal CFDA #	Amount Provided
Santa Fe Community College/Higher Education Institutional Aid	84.031	$977
University of New Mexico Taos/ Higher Education Institutional Aid	84.031	$4,952
University of New Mexico/ Biomedical Research and Research Training	93.859	$6,508

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 30 percent indirect cost rate as approved by the U.S. Department of Health and Human Services. Since the College negotiate 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. Wayne Johnson
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, 2018, 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 19, 2018. 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 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, and 2018-006 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 2018-007, 2018-008, 2018-009, 2018-010, 2018-011, and 2018-012 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 responses as items 2018-002, 2018-008, 2018-014, 2018-015, 2018-016, 2018-017, and 2018-018.

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 19, 2018

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. Wayne Johnson
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 of College's major federal program for the year ended June 30, 2018. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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, 84.003, 84.063 and 84.268 as described in finding number 2018-013 for Cash Management. 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, 2018.

Other Matters

The College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on 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. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-013 that we consider to be a material weakness.

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 19, 2018

Northern New Mexico College
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I — Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Disclaimer for the business-type activities and 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

2018-001 (2013-001, 2013-002) Bank Reconciliations—Timeliness and Review Process—Repeat of Findings—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 2018, the College 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

2018-001 (2013-001, 2013-002) Bank Reconciliations—Timeliness and Review Process—Repeat of Findings—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 and notes that it implemented and documented processes to ensure timeliness and review of bank reconciliations in the fall of 2017; however, two accountants left the College during the spring of 2018 at which time the reconciliations fell behind. The College hired a full-time, qualified comptroller in the late spring of 2018. Reconciliations are now up to date. Accordingly, the College is reviewing the functionality of the reconciliation module in Banner to compliment the current process.

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

Timeline and Estimated Completion Date: June 30, 2019.

Section II — Financial Statement Findings — continued

2018-002 (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 present supporting schedules and documentation related to the balances of land and land improvements on the financial statements. Also, adjustments to depreciation were made several months after 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 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 to be in compliance with laws and regulations. The College needs to request or find supporting documentation for capital assets listed on the capital asset inventory listing.

Management's Response: The College will modify its current capital assets policy to be in line with current rules, federal and state laws and regulations. Additionally, the College has already received information to better support land acquisitions and values. Last, the College anticipates the completion and presentation of all capital outlay schedules including depreciation in a timely fashion.

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

Timeline and Estimated Completion Date: June 30, 2019.

Section II — Financial Statement Findings — continued

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

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

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
- Procurement policies
- Athletic travel and recruitment
- Update 2000-series policies for relevant state and federal laws and guidelines
- Drawdowns of Federal Grants and Student Aid
- Formal Change Management Policy for items that would affect staff, students, or policy.

Management's Response: Several policies were updated in FYE June 30, 2018 (i.e. Mileage and Per Diem and Procurement) and several others are currently under review or scheduled for approval at the December 2018 Board of Regents' Meeting. 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.

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

Timeline and Estimated Completion Date: June 30, 2019

Section II — Financial Statement Findings — continued

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

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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 the cashier posting entries to cash accounts without compensating controls or reviews.

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
- Open the mail or copy checks received
- Prepare deposits
- Compare the listing of receipts received daily to the bank receipt of daily deposit
- Post cash receipts to the sub-ledgers (by Student, Bookstore, Third-Party, etc.)
- 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

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

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Management's Response: The College continues to improve its internal control structure including the segregation of duties. Access to the Cashier's Office has been restricted. Independent verification of cash receipts and deposits is in place. The College has implemented additional accounting functions to include the reconciliation of deposits before the book to bank reconciliations are performed. Accounts receivable functions have been segregated from the cash receipts function, and there are new mechanisms to resolve fiscal disputes.

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

Timeline and Estimated Completion Date: December 31, 2018.

Section II — Financial Statement Findings — continued

2018-005 (2016-007, 2016-016, 2016-021, 2016-025, 2017-006) 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
- Inventory (recorded at retail value rather than lower cost or market)
- 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

2018-005 (2016-007, 2016-016, 2016-021, 2016-025, 2017-006) Trial Balance Maintenance and Account Reconciliation—Repeat Finding—Material Weakness—College — continued

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Management's Response: The College implemented fiscal year close-out activities within the required 45 days from close of the period. However, due to accounting staff shortages, it was not able to fully reconcile all accounts by the close date. The College established a hard close deadline that will be met and has established procedures with the goal of fully reconciled accounts by the close date. It is important to note that the College is not delaying hard close dates any longer. Additionally, the College was not able to reconcile the clearing and suspense accounts by fiscal year-end due to lack of accountant resources. The accounts have been cleared during the current fiscal year. The College plans to clear these accounts for the current period by this fiscal year-end.

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

Timeline and Estimated Completion Date: June 30, 2019

Section II — Financial Statement Findings — continued

2018-006 (2017-001) Controls over Payroll Reporting—Repeat Finding—Material Weakness—College

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Criteria or Specific Requirement: In accordance with the Fair Labor Standards Act (FLSA), Employers are required to pay nonexempt employees for each regular hour of time worked and not based on a salaried rate. Also, employees should not be paid for time worked prior to the effective date of an employment contract.

Condition: During payroll testwork, we noted a nonexempt employee was being paid based on a salaried rate, rather than for actual hours worked during a time period. This was due to the College paying regular nonexempt employees on a semi-monthly basis, who are paid 86.67 hours per period, rather than on a bi-weekly basis for the fiscal year. This employee was paid the correct amount for the fiscal year, but source documentation (pay registers) did not reflect this. Also, for 1 of 25 of a statistically valid sample, we noted an employee was being paid prior to the effective date of the approved employee contract.

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 used a semi-monthly pay period for regular nonexempt employees, causing the timesheet hours to differ from the payroll register. Also, the College was not monitoring to ensure no time is being charged by an employee prior to the effective date of the approved employee contract.

Auditor's Recommendations: The College has already implemented paying regular nonexempt employees on a bi-weekly basis at the start for fiscal year 2019, which should resolve regular nonexempt employees' time not agreeing to payroll registers. However we recommend the College ensure all nonexempt employees are paid based on actual hours worked. Also, we recommend ensuring an employee has an approved contract in place, and no time is being charged prior to the effective date of that contract.

Management's Response: The College's procedures for salaried vs. nonsalaried employees was not well-established. Effective July 1, 2018, staff both exempt and nonexempt were changed to a biweekly payroll schedule. The College now has established appropriate procedures to address for exempt and nonexempt employees. The College will continue to review for compliance and update as needed.

Responsible Person/Position: Vice President for Finance and Administration, Director of Human Resources

Timeline and Estimated Completion Date: July 1, 2018

FS – Significant Deficiencies and/or Noncompliance

Section II — Financial Statement Findings — continued

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

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 significant 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 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: Budgetary constraints and timing of the fiscal year 2017 audit issuance caused the above controls and plans to be delayed during fiscal year 2018. 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

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

Management's Response: The College has contracted with an outside qualified vendor for a formal review for monitoring access. The review will take place first quarter of 2019. The College will set up profiles with "least possible access" for users to do their job responsibilities. 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 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 will be increased to two years. The College now preserves the data that supports the tracking of the feeds. The College will establish an information technology governing committee, key faculty, staff, and, potentially, a member of the Board of Regents shall be members.

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

Timeline and Estimated Completion Date: June 30, 2019

Section II — Financial Statement Findings — continued

2018-008 (2015-001) Travel and Per Diem—Repeat Finding—Significant Deficiency and 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. Approving actuals in advance would have allowed the College to pay the full amount. 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). Specifically, 2.42.2.11(G) NMAC indicates that mileage accrued while on official business shall be reimbursed for travel on official business. An agency head or designee may authorize by memorandum reimbursement for mileage from a point of origin farther from the destination than the designated post of duty in appropriate circumstances. The memorandum must accompany the payment voucher. If official business is transacted while commuting from home to post of duty or from post of duty to home, mileage shall not be paid for the number of miles between post of duty and home. Odometer readings showing additional miles accrued for official business must be provided to the agency for payment.

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 overpaid $18.11 to an employee for travel reimbursements. This issue was discovered during internal review, and it was recommended that the employee return the overpayment to the College. However, the Business Office never moved forward with the results of the review, and did not collect the overpayment from the employee.
- For 1 of 25 of a statistically valid sample, an out of state travel request, reimbursement check and purchase requisition are made out to one employee, however the supporting documentation and receipts provided for the transaction have a completely different employee’s name.
- For 1 of 25 of a statistically valid sample, the College underpaid $0.97 to an employee for travel reimbursements. This issue was discovered during internal review, and it was recommended that the employee receive a subsequent disbursement from the College. However, the Business Office never moved forward with the results of the audit, and did not reissue the underpayment to the employee.

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.

The College overpaid and underpaid travel costs, and was not able to provide correct supporting documentation for travel receipts.

Section II — Financial Statement Findings — continued

2018-008 (2015-001) Travel and Per Diem—Repeat Finding—Significant Deficiency and Noncompliance—College — continued

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Auditor's Recommendations: We recommend the College remind employees to review details carefully before submitting and approving travel reimbursements. Also, we recommend the Business Office take action on internal audits performed over disbursements regarding underpayment or overpayment of reimbursements.

Management's Response: For those instances noted the College was not yet utilizing the New Mexico Per Diem and Mileage Act. The College changed its Travel and Per Diem policy effective May 29, 2018 to reflect both the New Mexico Mileage and Per Diem Act, as well as the appertaining regulations. Trainings were provided to faculty/staff at the end of FY18 and beginning of FY19 to ensure compliance. Additional trainings are scheduled for FY19. Pre- and post-travel approvals and reimbursements are now audited prior to final disbursement to ensure compliance with the 10-8-1 through 10-8-8 NMSA 1978. Prior to that staff reviewing travel reimbursements were not implementing NNMC's current policy consistently.

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

Timeline and Estimated Completion Date: May 29, 2018.

Section II — Financial Statement Findings — continued

2018-009 (2016-024) Unused Credit Card Machines—Repeat Finding—Significant Deficiency—College

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Criteria: The credit card machines were not being used and should have been returned eliminating the waste of resources and risk of loss of the credit card machine.

Condition: The College rented credit card machines which were no longer in use. The College was billed for the rental of four credit card machines during the fiscal year. As of March 2018, the credit card machines were not in use, and the remaining credit card machine was in use at the College Bookstore.

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 condition was reported in last year's audit but it took time to research the issue and eliminate the rental of unneeded credit card machines.

There may be overcharges to the College or money spent unnecessarily that could be used for services provided to the students.

Auditor's Recommendations: We recommend the College closely scrutinize each bank statement for fees to ensure it is not be overcharged or charged for services no longer used. Lastly, we recommend that the appropriate custody of sensitive equipment such as credit card machines be observed.

Management's Response: Unused credit card machines have been returned; however, they were not returned by the beginning of the fiscal year currently under audit. This finding should be cleared for next fiscal year's audit.

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

Timeline and Estimated Completion Date: July 31, 2018

Section II — Financial Statement Findings — continued

2018-010 (2017-004) Athletics—Sporting Events Internal Controls—Repeat Finding—Significant Deficiency—College

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Criteria: Game receipts should be reconciled to tickets sales, and an accurate count of the attendance whether paid or free must be accounted for. This information can also be used to report individual game attendance. Policies and procedures should also be developed regarding the treatment of recruiting costs for potential athletes.

Condition: According to review of the athletic department's supporting documentation for cash receipts, during fiscal year 2018, the College was not tracking the number of tickets/season passes that were given out for promotional items (schools, sponsors, etc.). In addition, the College does not charge admission to all their home games and does not have a system to track which games did not have admissions. 4 of 4 transactions related to game admissions did not have a reconciliation performed between cash collected and ticket sales. We also noted that there is no policy governing the recruitment of potential athletes, and how these costs are tracked in accordance with the Travel and Per Diem Act.

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 does not have policies and procedures that the Athletic Department must follow associated with the reconciliation of tickets sold to cash collected and the depositing of gate receipts, and recruitment of potential athletes.

The lack of controls surrounding game admissions and the cash collected may lead to loss of department revenue and cash.

Auditor's Recommendations: The College must develop and implement policies and procedures to ensure gate receipts are being deposited, the deposit is properly recorded, and a reconciliation of the tickets sold to cash is prepared on a timely basis. Also policies should be developed pertaining the costs associated with recruiting potential athletes.

Management's Response: The College had not completely established procedures and processes of internal control for admissions in the year under audit. The Comptroller has worked with the Athletic Director to establish better and refined processes and procedures.

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

Timeline and Estimated Completion Date: June 30, 2019

Section II — Financial Statement Findings — continued

2018-011 (2017-009) Lack of Reliable Supporting Documentation—Repeat Finding—Significant Deficiency—Foundation

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Criteria or Specific Requirement: Documentation to support scholarship awards should be organized in a secured sever location. If paper files are used, they should be secured in a fireproof locked cabinet. In addition, retrieval of information on a per student basis should be easily accessible when files are organized and consolidated into one central location.

Condition: For 11 of 11 of a statistically valid sample of scholarship awards, the determination of how scholarships were awarded and approved were not supported by documentation.

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: There is currently no system of internal control in place at the Foundation, whether electronic or paper, related to student scholarship awards.

Auditor's Recommendations: We recommend that the Foundation's Board work in order to establish an electronic and paper filing system to enable the Foundation to retrieve information associated with student records, student financial need, and scholarship award amounts with ease and minimal effort.

Management's Response: The Foundation will modify its processes to include proper documentation for its determination of scholarship recipients.

Responsible Person/Position: Foundation Executive Director.

Timeline and Estimated Completion Date: June 30, 2019

Section II — Financial Statement Findings — continued

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

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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: Recipients of annual Foundation scholarships are having their funding reduced by $25 in the first semester to cover the cost of the meal when they attended the 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 Foundation had been charging this fee which as inappropriate. The Foundation has ceased this practice, which was implemented at the Gala on November 10, 2018.

Responsible Person/Position: Foundation Executive Director.

Timeline and Estimated Completion Date: November 10, 2018

SA – Material Weaknesses and/or Noncompliance

Section III — Federal Award Findings and Questioned Costs

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. Additionally, based on the College's Policies and Procedures Pertaining to Drawdowns of Federal Grants and Student Aid, draws must be submitted to the NNMC Comptroller or designee for verification and approval prior to submitting a reimbursement request to the Department of Education.

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.

Condition: For 4 of 8 of a statistically valid sample, students were refunded after the drawdown request had been made. For 2 of 8 a statistically valid sample, the drawdown request was not verified and approved prior to submitting the request. 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

2018-013 (2017-012) Cash Management—Repeat Finding—Material Weakness — continued

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Management's Response: Procedures had been established to ensure proper cash management during the fiscal year. However, the procedures had to be enhanced to ensure good internal control. The procedures are now in place. The College will note that there was sufficient cash in the bank account from nonfederal sources to cover the refunds prior to the draw of federal funds thus there was no supplanting. Additionally, the draw of federal funds also included allowable reimbursements for other operating expenses.

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

Timeline and Estimated Completion Date: June 30, 2019

Other Noncompliance-Schedule of Findings and Responses

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

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. Also, 2.2.2.8 (F)(8) NMAC requires the College to deliver the unsigned audit contract generated by OSA-Connect to the OSA by May 1.

Condition: The required submission date of the audit report for the fiscal year ended June 30, 2018, to the New Mexico State Auditor was November 1, 2018. The audit report was not submitted by the specified due date. Also, the College did not deliver the unsigned audit contract generated by OSA-Connect to the OSA by May 1.

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 and caused the unsigned audit contract not to be delivered by May 1.

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 and the Audit Act moving forward. We also recommend the College to deliver the unsigned audit contract generated by OSA-Connect to the OSA by the required date.

Management's Response: The College agrees with the finding and anticipates compliance with 2.2.2 NMAC for the FYE June 30, 2019.

Responsible Person/Position: Vice President for Finance and Administration

Timeline and Estimated Completion Date: November 1, 2019.

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, 2018. 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 reconciled for a number of years. This facilitated the embezzlement of funds in prior years. The College currently is in the process of clean-up of the Student A/R and establishing and implementing a reconciliation process.

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

Timeline and Estimated Completion Date: June 30, 2019.

2018-016 Cash Collateralization—Other Noncompliance—College

Criteria or Specific Requirement: In accordance with Section 6-10-17, NMSA 1978, the College is required to collateralize an amount equal to one-half of the public money in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage at each financial institution.

Condition: At June 30, 2018, the College had uninsured bank demand deposits in excess of FDIC of $193,788. One half of the uninsured balance, $96,894 was not collateralized at year-end.

Cause and Effect: The College did not obtain sufficient pledged collateral from New Mexico Bank and Trust to meet the NMSA requirement. Therefore, the College's bank demand deposits were not collateralized in accordance with the requirements of NMSA 1978.

Auditor's Recommendations: Obtain sufficient pledged collateral to ensure accordance with Section 6-10-17 NMSA 1978.

Management's Response: Management agrees with this finding and would like to note that sufficient collateralization has existed since August 2018.

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

Timeline and Estimated Completion Date: Completed as date of exit conference, December 14, 2018.

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 procured an investment manager during calendar year 2014. This investment manager was awarded the contract and has been providing services throughout the fiscal year. The investment manager has not had an annual contract renewal nor has a new vendor been selected using the appropriate bidding process as of June 2018. The Foundation's investment managers charge a fee based on services that is deducted through "account fees" on the investment statements.

As stated in the prior year's corrective action plan for this specific finding the anticipated completion of this project is by December 2018. Management is working toward meeting this goal.

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: The College and Foundation agree with the finding, and will work in concert to ensure that procurements are in accordance with the State Procurement Code (Code), as amended. The College adopted the Code and appertaining regulations late last fiscal year and has been providing procurement training to all staff on a continuous basis and will do so with the new Executive Director of the Foundation. In addition, a procurement manual has been developed to guide all College departments in adhering to the Code. Additional training will be provided. Last, the College has restructured and has a Certified Chief Procurement Officer.

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

Timeline and Estimated Completion Date: December 31, 2018.

Northern New Mexico College
Schedule of Findings and Responses
For the Year Ended June 30, 2018

2018-018 Compliance with Investment Policy—Other Noncompliance—Foundation

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, 2018, the Foundation's investment allocation was not in compliance with the Foundation's approved investment policy.

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 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, Comptroller, Compliance Officer

Timeline and Estimated Completion Date: June 30, 2019.

Northern New Mexico College
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

Prior Audit Findings	Current Status
2013 – 001 Bank Reconciliations – Timeliness and Review Process – College	Repeated and modified. The College implemented and documented processes to ensure timeliness and review of bank reconciliations in the fall of 2017; however, two accountants left the College during the spring of 2018 at which time the reconciliations fell behind. The College hired a full-time, qualified comptroller in the late spring of 2018. Reconciliations are now up to date.
2013 – 002 Bank Reconciliations – Timeliness and Review Process – Foundation	Repeated and modified. The College implemented and documented processes to ensure timeliness and review of bank reconciliations in the fall of 2017; however, two accountants left the College during the spring of 2018 at which time the reconciliations fell behind. The College hired a full-time, qualified comptroller in the late spring of 2018. Reconciliations are now up to date.
2013 – 003 Capital Assets—Physical Inventory Certification and Safeguarding	Repeated and modified. The College was not able to conduct a thorough physical capital assets inventory until the latter part of the fiscal year. The process was not completed until the first part of the fiscal year ended 2019 year because a thorough, complete and accurate inventory had not been conducted for a number of years. The inventory was certified by the Board of Regents. The College is now positioned the College to have a thorough, timely inventory at the end of fiscal year ended 2019.
2013 – 007 Disaster Recovery Plan and Password Policies	Repeated and modified. 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 pursuing a cloud solution in collaboration with other colleges and universities.
2015 – 001 Travel and Per Diem	Repeated and modified. The College changed its Travel and Per Diem policy effective May 29, 2018, to reflect both the New Mexico Mileage and Per Diem Act, as well as the appertaining regulations. Trainings were provided to faculty/staff the end of fiscal year 2018 and beginning of fiscal year 2019 to ensure compliance. Prior to that staff reviewing travel reimbursements were not implementing the College’s current policy consistently. Additional trainings are scheduled for fiscal year 2019.

Northern New Mexico College

Summary Schedule of Prior Audit Findings — continued
For the Year Ended June 30, 2018

Prior Audit Findings	Current Status
2016 – 001 Late Audit Report	Repeated and modified. Annual audit was delayed due to lengthy McHard Forensic audit which was rolled into the fiscal year 2018 audit.
2016 – 002 Potential Fraud, Forgery, Embezzlement, Larceny and Noncompliance	Resolved. Corrective action was taken.
2016 – 003 Insufficient Attention and Accountability over Accounting and Internal Controls	Repeated and modified. A late audit completion, in addition to accounting staff vacancies, hampered a compliance with internal control requirements. Even with these setbacks, the College increased its internal controls throughout fiscal year 2018 to ensure segregation of duties culminating with the hiring of a Comptroller in late June 2018.
2016 – 004 Insufficient Security of Accounting Records/Backup of Electronic Documents	Repeated and modified. The College is in the process of developing a mandate to ensure that all accounting records are backed-up onto respective common drives. The College was not able to accomplish this before fiscal year-end due to the volume of findings that it had to address. Resolution of this finding and implementation of the mandate and policy are top priority this fiscal year.
2016 – 005 Procurement Code Violations	Repeated and modified for the Foundation. During the fiscal year 2017 audit, it was revealed that purchasing staff did not have the expertise necessary to enforce the Procurement Code. In the Spring of 2018, the College sent three senior staff members to the NM GSD Procurement 101 and RFP trainings and identified a Compliance Officer over procurements utilizing federal funds. The College also sent two of these staff members to the State Chief Procurement Officer training in June. One of these staff was instated as the Chief Procurement Officer in Fall 2018 to oversee all procurement activities and purchasing staff. Resolved for the College. Corrective action was taken.
2016 – 006 Segregation of Duties	Repeated and modified for the College. A late audit completion, in addition to accounting staff vacancies, hampered efforts to segregate duties. Even with these setbacks, the College implemented increased segregation through staffing reassignments culminating with the hiring of a Comptroller in late June 2018. Resolved for the Foundation. Corrective action was taken.

Northern New Mexico College

Summary Schedule of Prior Audit Findings — continued

For the Year Ended June 30, 2018

Prior Audit Findings	Current Status
2016 – 007 Financial Close and Reporting	Repeated and modified. The College implemented fiscal year close-out activities within the required 45 days from close of the period. However, due to accounting staff shortages, it was not able to fully reconcile all accounts by the close date. However, the College established a hard close deadline that will be met and has established procedures with the goal of fully reconciled accounts by the close date. It is important to note that the College is not delaying hard close dates any longer.
2016 – 008 Lack of Internal Controls over Cash Receipts Process	Resolved. Corrective action was taken.
2016 – 009 Lack of Internal Controls over Cash Disbursements and Transfers Process	Resolved. Corrective action was taken.
2016 – 010 Lack of Internal Controls over Journal Entries	Resolved. Corrective action was taken.
2016 – 011 New Mexico State Constitution Violation—Board Member Vacancy	Resolved. Corrective action was taken.
2016 – 012 Transfers, Disposals, and Tracking of Inventory Items less than $5,000	Resolved. Corrective action was taken.
2016 – 013 Public Money Act Violation—Deposits Not Made Within 24 Hours	Resolved. Corrective action was taken.
2016 – 014 Noncompliance with and Inadequate Controls over the Governmental Conduct Act	Resolved. Corrective action was taken.

Northern New Mexico College
Summary Schedule of Prior Audit Findings — continued
For the Year Ended June 30, 2018

Prior Audit Findings	Current Status
2016 – 016 Inadequate Controls over Annual Leave	Repeated and modified. A change in the Banner administrator created a delay in implementing changes to the system to improve annual leave tracking. It was decided to wait until the Banner 9 upgrade scheduled for late June of 2018. The Banner 9 upgrade process is well underway as of Fall 2018 with full implementation expected by December 31, 2018. We realized the finding will likely remain because the change was not implemented by July 1, 2018.
2016 – 017 Outdated Policies and Procedures	Repeated and modified. The College's process to revise or create policy proved to be a setback for completing the full revision of its policies. Policy 1100 Development and Approval of Policy was created and approved by the Board of Regents on February 26, 2018, to facilitate this process. As a result, the College's Travel and Per Diem Policy and Procurement Policy were updated on May 29, 2018. Other policies are currently in the process of being approved, including revisions to sponsored projects policy to include Federal Uniform Guidance references, Subrecipient Monitoring, the property management and control policy, and the disposal and donation of property are all in the process of being presented to the Board of Regents for approval by December 31, 2018.
2016 – 019 Lack of Established Practices for the Identification, Mitigation and Monitoring of Risks	Resolved. Corrective action was taken.
2016 – 021 Review and Clean—up of Clearing and Suspense Accounts	Repeated and modified. The College was not able to reconcile the clearing and suspense accounts by fiscal year-end due to lack of accountant resources. The accounts have been cleared during the current fiscal year. The College plans to clear these accounts for the current period by this fiscal year-end.
2016 – 023 Underreported Payroll Tax Liabilities	Resolved. Corrective action was taken.
2016 – 024 Unused Credit Card Machines and Related Monthly Fee	Repeated and modified. Unused credit card machines have been returned; however, they were not returned by the beginning of the fiscal year currently under audit. This finding should be cleared for next fiscal year's audit.

Northern New Mexico College

Summary Schedule of Prior Audit Findings — continued

For the Year Ended June 30, 2018

Prior Audit Findings	Current Status
2016 – 025 Reconciliation of Student Accounts Receivable	Repeated and modified. Student Accounts Receivable have not been reconciled for a number of years. This facilitated the embezzlement of funds in prior years. The College currently is in the process of clean-up of the students' account receivable balances and establishing and implementing a reconciliation process.
2016 – 026 Assigned Permissions in Banner	Repeated and modified. The initial results of the forensic audit were not released until December 15, 2017, identifying this risk. Immediate changes were not promulgated until January 2018. As with a number of areas, procedures were implemented immediately to establish controls and we are now in the process of policy review and revision.
2016 – 027 Information Technology	Repeated and modified. The backup generator was not installed until May 2018. However, the backup generator has been implemented and was in place by the beginning of the current fiscal year. This finding should be cleared during the next fiscal year audit.
2016 – 028 Tracking of Banner Feeds to Ensure Feeds are Not Suspended/Deleted	Repeated and modified. The College did preserve data to support that the feeds had been tracked. The College now preserves the data that supports the tracking of the feeds.
2016 – 029 Compliance Violation—Anti-Donation Clause of the New Mexico Constitution	Repeated and modified. Student Accounts Receivable have not been reconciled for a number of years. This facilitated the embezzlement of funds in prior years. The College currently is in the process of clean-up of the student account receivable balances and establishing and implementing a reconciliation process.
2016 – 030 Special Tests and Provisions	Resolved. Corrective action was taken.

Northern New Mexico College
Summary Schedule of Prior Audit Findings — continued
For the Year Ended June 30, 2018

Prior Audit Findings	Current Status
2016 – 032 Lack of Complete Policies and Procedures	Repeated and modified. This finding has been resolved for the Student Financial Assistance Cluster, however unresolved for Higher Education Institutional Aid, CFDA #84.031 and Research and Development Cluster, CFDA #'s 47.050, 47.070, 47.076 and 47.080. Many of the College's policies are on its website but in multiple locations. The College began its review of its current policies in October 2018. The College's new Compliance Officer and Comptroller are working to ensure all required policies and relevant procedures are in place and are organized for easy reference by June 30, 2019.
2017 – 001 Lack of Internal Control over Payroll Reporting	Repeated and modified. The College's procedures for salaried vs. nonsalaried faculty was not well-established until later in the fiscal year. The College now has established appropriate procedures.
2017 – 002 Foundation—Pledge Revenues, Pledge Receivables, and In-Kind Transactions	Resolved. Corrective action was taken.
2017 – 003 Account Coding and Lack of Documentation	Resolved. Corrective action was taken.
2017 – 004 Athletics—Sporting Events Internal Control	Repeated and modified. The College has not established procedures and process of internal control for admissions. The Comptroller will work with the Athletic Director to establish processes and procedures.
2017 – 005 Controls over Credit Cards	Resolved. Corrective action was taken.
2017 – 006 Controls over Inventory	Repeated and modified. The College failed to have an outside third party observe and review inventory. This will be done at the end of the current fiscal year.
2017 – 007 Foundation—Travel and Per Diem	Resolved. Corrective action was taken.
2017 – 008 Foundation—Untimely Deposits	Resolved. The Foundation required to deposit funds based on 6-10-3 NMSA 1978 as the Foundation's cash receipts are not considered public money.

Northern New Mexico College
Summary Schedule of Prior Audit Findings — continued
For the Year Ended June 30, 2018

Prior Audit Findings	Current Status
2017 – 009 Foundation—Lack of Reliable Supporting Documentation	Repeated and modified. There was turnover in the Director position for the Foundation and the College was not able to fully implement a process and procedures to ensure adequate documentation.
2017 – 010 Foundation—Administrative Fee Reduction	Repeated and modified. The Foundation had been charging this fee which as inappropriate. The Foundation has ceased this practice.
2017 – 011 Foundation—Board Minutes	Resolved. Corrective action was taken.
2017 – 012 Cash Management	Repeated and modified. Procedures had not been established to ensure proper cash management. The procedures are now in place.
2017 – 013 Controls over Equipment and Real Property Management	Unresolved. The College was not able to conduct a thorough physical capital assets inventory until the latter part of the fiscal year. The process was not completed until the first part of the fiscal year-end 2019 year because a thorough, complete and accurate inventory had not been conducted for a number of years. The inventory was certified by the Board of Regents. The College is now positioned to have a thorough, timely inventory at the end of fiscal year-end 2019.
2017 – 014 Controls over Payroll Reporting	Resolved. Corrective action was taken.
2017 – 015 Controls over Procurement, Suspension and Debarment	Resolved. Corrective action was taken.
2017 – 016 Controls over Subrecipient Monitoring	Unresolved. The College's grant manager and federal compliance officer was not hired until late October 2017. Since then, controls were put into place over current subrecipients and a Subrecipient Monitoring Policy has been drafted and is currently pending approval by the Board of Regents in December 2018.

Office of the President

NORTHERN New Mexico College

THE NORTHERN FOUNDATION

Northern New Mexico College

Corrective Action Plan
June 30, 2018

Audit Finding	Management's Corrective Action Plan	Employee Person Responsible	Timeline and Estimated Completion Date
2018-001 (2013-001, 2013-002) Bank Reconciliations—Timeliness and Review Process—Material Weakness—College and Foundation	The College notes that it implemented and documented processes to ensure timeliness and review of bank reconciliations in the fall of 2017; however, two accountants left the College during the spring of 2018 at which time the reconciliations fell behind. The College hired a full-time, qualified comptroller in the late spring of 2018. Reconciliations are now up to date. Accordingly, the College is reviewing the functionality of the reconciliation module in Banner to compliment the current process.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller, Cheryl James Compliance Officer	June 30, 2019
2018–002 (2013-003) Capital Assets—Material Weakness and Other Noncompliance—College	The College will modify its current capital assets policy to be in line with current rules, federal and state laws and regulations. Additionally, the College has already received information to better support land acquisitions and values. Last, the College anticipates the completion and presentation of all capital outlay schedules including depreciation in a timely fashion.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller, Cheryl James Compliance Officer	June 30, 2019

Northern New Mexico College
Corrective Action Plan — continued
June 30, 2018

Audit Finding	Management's Corrective Action Plan	Employee Person Responsible	Timeline and Estimated Completion Date
2018-003 (2016 – 003, 2016-017) Financial Policies and Procedures—Material Weakness—College	Several policies were updated in FYE June 30, 2018 (i.e. New Mexico Mileage and Per Diem and Procurement) and several others are currently under review or scheduled for approval at the December 2018 Board of Regents' Meeting. 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.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller, Cheryl James Compliance Officer	June 30, 2019
2018-004 (2016 – 006) Segregation of Duties—Material Weakness—College	The College continues to improve its internal control structure including the segregation of duties. Access to the Cashier's Office has been restricted. Independent verification of cash receipts and deposits is in place. The College has implemented additional accounting function to include the reconciliation of deposits before the book to bank reconciliations are performed. Accounts receivable functions have been segregated from the cash receipts function, and there are new mechanisms to resolve fiscal disputes.	Ricky Bejarano, Vice President of Finance and Administration, Cheryl James Compliance Officer	December 31, 2019

Northern New Mexico College
Corrective Action Plan — continued
June 30, 2018

Audit Finding	Management's Corrective Action Plan	Employee Person Responsible	Timeline and Estimated Completion Date
2018-005 (2016 – 007, 2016-016, 2016-021, 2016-025, 2017-006) Trial Balance Maintenance and Account Reconciliation—Material Weakness—College	The College implemented fiscal year close-out activities within the required 45 days from close of the period. However, due to accounting staff shortages, it was not able to fully reconcile all accounts by the close date. The College established a hard close deadline that will be met and has established procedures with the goal of fully reconciled accounts by the close date. It is important to note that the College is not delaying hard close dates any longer. Additionally, the College was not able to reconcile the clearing and suspense accounts by fiscal year-end due to lack of accountant resources. The accounts have been cleared during the current fiscal year. The College plans to clear these accounts for the current period by this fiscal year end.	Ricky Bejarano, Vice President of Finance and Administration, Cheryl James Compliance Officer	June 30, 2019
2018-006 (2017 – 001) Controls over Payroll Reporting—Material Weakness—College	The College's procedures for salaried vs. nonsalaried employees was not well-established. Effective July 1, 2018, staff both exempt and nonexempt were changed to a biweekly payroll schedule. The College now has established appropriate procedures to address for exempt and nonexempt employees. The College will continue to review for compliance and update as needed.	Ricky Bejarano, Vice President of Finance and Administration, Donna Castro, Director Human Resources	July 1, 2018

Northern New Mexico College
Corrective Action Plan — continued
June 30, 2018

Audit Finding	Management's Corrective Action Plan	Employee Person Responsible	Timeline and Estimated Completion Date
2018-007 (2013-007, 2016-004, 2016-026, 2016 – 027, 2016-028) Information Technology (IT)—Significant Deficiency—College	The College has contracted with an outside qualified vendor for a formal review for monitoring access. The review will take place first quarter of 2019. The College will set up profiles with "least possible access" for users to do their job responsibilities. 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 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 will be increased to two years. The College now preserves the data that supports the tracking of the feeds. The College will establish an information technology governing committee, key faculty, staff, and, potentially, a member of the Board of Regents shall be members.	Ricky Bejarano, Vice President of Finance and Administration, Jimi Montoya, Director of Information Technology	June 30, 2019

Northern New Mexico College
Corrective Action Plan — continued
June 30, 2018

Audit Finding	Management's Corrective Action Plan	Employee Person Responsible	Timeline and Estimated Completion Date
2018-008 (2015 – 001) Travel and Per Diem—Significant Deficiency and Other Noncompliance—College	For those instances noted the College was not yet utilizing the New Mexico Per Diem and Mileage Act. The College changed its Travel and Per Diem policy effective May 29, 2018, to reflect both the New Mexico Mileage and Per Diem Act, as well as the appertaining regulations. Trainings were provided to faculty/staff at the end of FY18 and beginning of FY19 to ensure compliance. Additional trainings are scheduled for FY19. Pre- and post-travel approvals and reimbursements are now audited prior to final disbursement to ensure compliance with the 10-8-1 through 10-8-8 NMSA 1978. Prior to that staff reviewing travel reimbursements were not implementing NNMC's current policy consistently.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller, Cheryl James, Compliance Officer	May 29, 2018
2018-009 (2016 – 024) Unused Credit Card Machines—Significant Deficiency—College	Unused credit card machines have been returned; however, they were not returned by the beginning of the fiscal year currently under audit. This finding should be cleared for next fiscal year's audit.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller	July 1, 2018
2018-010 (2017 – 004) Athletics—Sporting Events Internal Controls—Significant Deficiency—College	The College had not completely established procedures and processes of internal control for admissions in the year under audit. The Comptroller has worked with the Athletic Director to establish better and refined processes and procedures.	Ricky Bejarano Vice President of Finance and Administration, Vince Lithgow, Comptroller, Ryan Cordova, Athletic Director	November 1, 2018

Northern New Mexico College
Corrective Action Plan — continued
June 30, 2018

Audit Finding	Management's Corrective Action Plan	Employee Person Responsible	Timeline and Estimated Completion Date
2018-011 (2017 – 009) Lack of Reliable Supporting Documentation—Significant Deficiency—Foundation	The Foundation will modify its processes to include proper documentation for its determination of scholarship recipients.	Jeannie Kovacs, Foundation Executive Director, Dr. Richard Bailey, President NNMC	June 30, 2019
2018-012 (2017 – 010) Administrative Fee Reduction—Significant Deficiency—Foundation	The Foundation had been charging this fee which as inappropriate. The Foundation has ceased this practice, which was implemented at the Gala on November 10, 2018.	Foundation Executive Director, Dr. Richard Bailey, President NNMC	November 10, 2018
2018-013 (2017 – 012) Cash Management—Material Weakness	Procedures had been established to ensure proper cash management during the fiscal year. However, the procedures had to be enhanced to ensure good internal control. The procedures are now in place. The College will note that there was sufficient cash in the bank account from nonfederal sources to cover the refunds prior to the draw of federal funds thus there was no supplanting. Additionally, the draw of federal funds also included allowable reimbursements for other operating expenses.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller, Cheryl James, Compliance Officer	June 30, 2019

Northern New Mexico College
Corrective Action Plan — continued
June 30, 2018

Audit Finding	Management's Corrective Action Plan	Employee Person Responsible	Timeline and Estimated Completion Date
2018-014 (2016 – 001) Late Audit Report and Late Submission of Unsigned Audit Contract—Other Noncompliance—College	The College and anticipates compliance with 2.2.2 NMAC for the FYE June 30, 2019.	Ricky Bejarano, Vice President of Finance and Administration	June 30, 2019
2018-015 (2016 – 029) Compliance Violation—Anti-Donation Clause of the New Mexico Constitution—Other Noncompliance—College	Student Accounts Receivable have not been reconciled for a number of years. This facilitated the embezzlement of funds in prior years. The College currently is in the process of clean-up of the Student A/R and establishing and implementing a reconciliation process.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller, Cheryl James Compliance Officer	June 30, 2019
2018-016 Cash Collateralization Other Noncompliance—College	Sufficient collateralization has existed since August 2018.	Ricky Bejarano, Vice President of Finance and Administration, Vince Lithgow, Comptroller, Cheryl James, Compliance Officer	December 14, 2018

Northern New Mexico College
Corrective Action Plan — continued
June 30, 2018

Audit Finding	Management's Corrective Action Plan	Employee Person Responsible	Timeline and Estimated Completion Date
2018-017 (2016 – 005) Procurement Code Violations—Other Noncompliance—Foundation	The College will work in concert to ensure that procurements are in accordance with the State Procurement Code (Code), as amended. The College adopted the Code and appertaining regulations late last fiscal year and has been providing procurement training to all staff on a continuous basis and will do so with the new Executive Director of the Foundation. In addition, a procurement manual has been developed to guide all college departments in adhering to the Code. Additional training will be provided. Last, the College has restructured and has a Certified Chief Procurement Officer	Ricky Bejarano, Vice President of Finance and Administration, Cheryl James, Compliance Officer	December 31, 2019
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, 2019

Northern New Mexico College
Exit Conference
June 30,

An exit conference was held on December 14, 2018, 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

D. Chris Ortega	Vice President, Board of Regents
Dr. Rick J. Bailey, Jr.	President
Ricky A. Bejarano, CPA, CGMA	Vice President for Finance and Administration
Dr. Ivan Lopez Hurtado	Provost
Vince Lithgow, CGFM	Comptroller
Cheryl James	Compliance Officer/ Chief Procurement Officer
Evette E. Abeyta	Budget Director
Stephanie Lovato	Grants Accountant

Northern New Mexico College Foundation

Alfredo Herrera	Foundation Board Member
Dr. Rick J. Bailey Jr.	Foundation Board Member
Jeannie Kovacs	Foundation Executive Director
Ricky A. Bejarano, CPA, CGMA	Vice President for Finance and Administration
Dr. Ivan Lopez Hurtado	Provost

REDW LLC

Anthony Gerlach, CPA	Principal
Chris Bitakis, CPA	Senior Manager
Javier Machuca, CPA, CGFM	Senior Manager
Emily Wilson, CPA	Audit 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.