

NEW MEXICO JUNIOR COLLEGE

BOARD MEETING

Thursday, January 15, 2015

Zia Room – Library

1:30 p.m.

AGENDA

- | | |
|---|----------------|
| A. Welcome | Pat Chappelle |
| B. Adoption of Agenda | Pat Chappelle |
| C. Approval of Minutes of December 18, 2014 | Pat Chappelle |
| D. President's Report | Steve McCleery |
| E. New Business | |
| 1. Monthly Expenditures Report | Dan Hardin |
| 2. Monthly Revenue Report | Dan Hardin |
| 3. Oil and Gas Revenue Report | Dan Hardin |
| 4. Schedule of Investments | Dan Hardin |
| 5. June 30, 2014 Audit | Dan Hardin |
| 6. Consideration of Resolution | Steve McCleery |
| 7. Consideration of Equipment Purchase | Jeff McCool |
| F. Public Comments | Pat Chappelle |
| G. Announcement of Next Meeting | Pat Chappelle |
| H. Closure of Open Meeting | Pat Chappelle |
| I. Adjournment | Pat Chappelle |

**NEW MEXICO JUNIOR COLLEGE
BOARD MEETING
DECEMBER 18, 2014
MINUTES**

The New Mexico Junior College Board met on Thursday, December 18, 2014, beginning at 1:30 p.m. in the Zia Room of Pannell Library. The following members were present: Ms. Patricia Chappelle, Madam Chair; Mr. Ron Black, Secretary; Mr. Travis Glenn; Mr. Manny Gomez, Mrs. Mary Lou Vinson, Mr. Zeak Williams; and Mr. Hector Baeza.

Ms. Chappelle called the meeting to order and welcomed visitors and guests present: Jaycie Chesser, News-Sun and Mike Gallagher, Lea County Manager.

Upon a motion by Mrs. Vinson, seconded by Mr. Williams, the agenda was unanimously adopted.

Upon a motion by Mr. Gomez, seconded by Mr. Williams, the Board unanimously approved the minutes of November 21, 2014.

Under President's Report, Board members attended a 10 minute presentation of the recently purchased 660 Truck Driving Simulation System. The presentation was provided by Jai Oyler and Luisa Ruiz.

Under New Business, Dan Hardin presented the November financial reports. Upon a motion by Mr. Glenn, seconded by Mr. Gomez, the Board unanimously approved the Expenditure Report for November, 2014. In addition, the Revenue Report, Oil and Gas Revenue Report, and Schedule of Investments Report were reviewed.

Dr. McCleery presented Resolutions for the elections to be held on March 3, 2015. Resolutions were presented in both English and Spanish. Upon a motion by Mr. Gomez, seconded by Mr. Glenn, the Board unanimously approved the Resolutions with an identified revision to the Spanish version.

Dr. McCleery and Mr. Gallagher presented the Memorandum of Understanding between Lea County and New Mexico Junior College for the Construction, Operation, and Joint Use of an Indoor Equestrian Facility. This MOU was approved and signed by the Lea County commissioners at the Lea County Commission meeting held on December 17, 2014. Upon a motion made by Mr. Black, seconded by Mr. Williams, the Board unanimously approved the MOU.

Dr. Atherton recommended Ms. Shannon M. Allen for the Professor of Nursing position at a 9 month salary of \$58,500. Upon a motion by Mrs. Vinson, seconded by Mr. Gomez, the Board unanimously approved the employment of Ms. Shannon M. Allen, effective January 6, 2015.

Dr. Atherton recommended Ms. Brittany H. Gale for the Professor of Biology position at a 9 month salary of \$46,752. Upon a motion by Mrs. Vinson, seconded by Mr. Glenn, the Board unanimously approved the employment of Ms. Brittany H. Gale, effective January 6, 2015.

Dr. McCleery read a Retirement Resolution honored to Homer A. Youngblood for his service of fourteen and one half years to the College. The Resolution declared Mr. Youngblood Emeritus Professor of New Mexico Junior College.

Ms. Chappelle called for comments from the public. There being none, the next regular board meeting was scheduled for Thursday, January 15, 2015 beginning at 1:30 pm. Upon a motion made by Mr. Black, seconded by Mr. Glenn, the Board unanimously approved a change of the scheduled board meeting time from 4:00 pm to 1:30 pm.

Mr. Williams moved the board go into closed session for the discussion of limited personnel matters under the provisions of section 10-15-1-H (2) of New Mexico Statutes Annotated 1978. Mr. Gomez seconded the motion. The roll call vote was as follows: Mr. Baeza – yes; Mr. Williams – yes; Mr. Black – yes; Mrs. Vinson – yes; Mr. Glenn – yes; Mr. Gomez – yes and Ms. Chappelle - yes.

Upon re-convening in open meeting, Ms. Chappelle stated that the matters discussed in the closed meeting were limited only to those specified in the motion for closure.

Upon a motion by Mr. Black, seconded by Mrs. Vinson, the board meeting adjourned at 3:10 p.m.

Pat Chappelle, Chair

Ron Black, Secretary

NEW MEXICO JUNIOR COLLEGE
Expenditure Report
December 2014

50% of Year Completed

Fund	2013-14			2014-15			
	Final Budget	Year-to-Date Expended or Encumbered	Percentage of Budget Expended	Budget	Current Expended or Encumbered	Expended or Encumbered	Percentage of Budget Expended
CURRENT UNRESTRICTED FUND							
Instruction and General:							
Instruction	9,106,822	4,494,559	49%	9,731,091	1,075,095	4,808,675	49%
Academic Support	2,259,588	1,149,845	51%	2,273,743	246,268	1,225,051	54%
Student Services	1,823,694	853,319	47%	1,840,687	211,901	959,285	52%
Institutional Support	3,337,419	2,025,830	61%	3,528,284	371,635	2,130,807	60%
Operation & Maintenance of Plant	3,288,327	1,729,737	53%	3,541,829	315,243	1,905,437	54%
Subtotal - Instruction & General	19,815,850	10,253,290	52%	20,915,634	2,220,142	11,029,255	53%
Student Activities	0	0	0%	0	0		0%
Research	0	0	0%	0	0		0%
Public Service	0	0	0%	0	0		0%
Internal Service Departments	84,909	203,959	240%	87,145	(72,393)	200,729	230%
Student Aid	568,551	522,401	92%	593,551	162,798	621,159	105%
Auxiliary Enterprises	1,799,060	1,268,400	71%	1,800,693	305,251	1,139,322	63%
Athletics	1,019,727	656,196	64%	1,029,348	97,497	684,397	66%
Total Current Unrestricted Fund	23,288,097	12,904,246	55%	24,426,371	2,713,295	13,674,862	56%
CURRENT RESTRICTED FUND							
Grants	1,280,443	464,417	36%	1,157,859	413,403	958,353	83%
Student Aid	5,033,468	2,471,557	49%	5,033,468	(6,641)	1,953,593	39%
Total Current Restricted Fund	6,313,911	2,935,974	47%	6,191,327	406,762	2,911,946	47%
PLANT FUNDS							
Capital Outlay / Bldg. Renewal & Repl.							
Projects from Institutional Funds	15,096,621	5,721,908	38%	13,644,389	68,036	2,299,247	17%
Projects from State GOB Funds	3,324,582	2,714,359	82%	2,811,681		2,498,550	89%
Projects from State STB Funds	1,487,000	1,023,485	69%	425,000			0%
Projects from General Fund	275,374	23,061	8%	153,179	1,462	10,177	7%
Projects from Private Funds	0	398,581	0%	0			0%
Projects from State ER&R	671,725	298,581	44%	494,616	32,700	274,972	56%
Projects from State BR&R	1,003,998	562,770	56%	774,549	19,728	279,731	36%
Subtotal - Capital and BR&R	21,859,300	10,742,745	49%	18,303,414	121,926	5,362,677	29%
Debt Service							
Revenue Bonds	0	0	0%	0	0	0	0%
Total Plant Funds	21,859,300	10,742,745	49%	18,303,414	121,926	5,362,677	29%
GRAND TOTAL EXPENDITURES	51,461,308	26,582,965	52%	48,921,112	3,241,983	21,949,485	45%

NEW MEXICO JUNIOR COLLEGE

Revenue Report

December 2014

50% of Year Completed

Fund	2013-14			2014-15			
	Final Budget	Year-to-date Revenue	Percentage of Budget Received	Budget	Current Revenue	Year-to-date Revenue	Percentage of Budget Received
CURRENT UNRESTRICTED FUND							
Instruction and General:							
Tuition and Fees	3,684,200	3,010,191	82%	3,684,200	517,165	2,971,923	81%
State Appropriations	5,933,300	2,945,700	50%	5,933,300	643,486	3,198,529	54%
Advalorem Taxes - Oil and Gas	6,455,000	5,532,250	86%	6,455,000	1,870,901	5,670,035	88%
Advalorem Taxes - Property	5,455,000	2,216,038	41%	5,455,000	2,256,028	2,256,028	41%
Interest Income	5,000	803	16%	5,000	516	1,243	25%
Other Revenues	356,361	142,915	40%	356,361	56,131	181,611	51%
Subtotal - Instruction & General	21,888,861	13,847,897	63%	21,888,861	5,344,227	14,279,369	65%
Student Activities	0	0	0%	0	0	0	0%
Public Service	0	0	0%	0	0	0	0%
Internal Service Departments	24,000	7,656	32%	24,000	1,045	5,952	25%
Auxiliary Enterprises	2,213,000	1,345,771	61%	2,213,000	369,942	1,765,472	80%
Athletics	330,900	164,988	50%	330,900	40,603	245,863	74%
Total Current Unrestricted	24,456,761	15,366,312	63%	24,456,761	5,755,817	16,296,656	67%
CURRENT RESTRICTED FUND							
Grants	1,179,460	437,185	37%	1,179,460	413,745	975,396	83%
Student Aid	5,033,468	2,278,155	45%	5,033,468	789	1,710,703	34%
Total Current Restricted	6,212,928	2,715,340	44%	6,212,928	414,534	2,686,099	43%
PLANT FUNDS							
Capital Outlay / Bldg. Renewal & Repl.							
Projects from State GOB Funds	0	0	0%	0	366,617	1,072,736	0%
Projects from State STB Funds	427,000	109,855	26%	427,000			0%
Projects from General Fund	0	0	0%	0			0%
Projects from Private Funds	0	0	0%	0			0%
Interest Income (LGIP)	30,000	6,378	21%	30,000	1,585	7,061	24%
Total Plant Funds	457,000	116,233	25%	457,000	368,202	1,079,797	236%
GRAND TOTAL REVENUES	31,126,689	18,197,885	58%	31,126,689	6,538,553	20,062,552	64%

NEW MEXICO JUNIOR COLLEGE

Oil and Gas Revenue Report

December 2014

50% of Year Completed

		OIL		GAS		COMBINED		
Sales	Month of Distribution	Price per BBL	Lea County BBLs sold	Price per MCF	Lea County MCF sold	Monthly Revenue	2011-12 Original Budget	Variance Over (Under) Budget
Actual	July	\$75.60	5,043,401	\$5.99	15,571,479	1,232,271	465,000	767,271
Actual	August	\$80.78	4,888,347	\$5.46	15,838,690	1,090,531	465,000	625,531
Actual	September	\$77.29	4,582,238	\$5.46	15,443,043	1,002,059	465,000	537,059
Accrual	October					465,000	465,000	0
Accrual	November					465,000	465,000	0
Accrual	December					465,000	465,000	0
Accrual	January						465,000	(465,000)
Accrual	February						465,000	(465,000)
Accrual	March						465,000	(465,000)
Accrual	April						465,000	(465,000)
Accrual	May						465,000	(465,000)
Accrual	June						465,000	(465,000)
Y.T.D. Production Tax Revenue						4,719,861	5,580,000	(860,139)
Y.T.D. Equipment Tax Revenue						950,174	1,500,000	(549,826)
Total Year-to-Date Oil & Gas and Equipment Tax Revenue						5,670,035	7,080,000	(1,409,965)

Source: New Mexico Taxation and Revenue Department

NEW MEXICO JUNIOR COLLEGE
Schedule of Investments
December 2014

50% of Year Completed

Financial Institution	Amount Invested	Account Number	Interest Rate	Interest Earned
State of New Mexico Local Government Investment Pool	9,589,592	7102-1348	0.104%	1,331
Plus deposits	0			
Less withdrawals	0			
Total LGIP investments	<u><u>9,589,592</u></u>			<u><u>5,476</u></u>

Capital Projects	12/31/2014
Vehicles	15,112.94
Technology Upgrade	39,216.31
JASI	41,899.79
WHM South Gallery	266,594.43
Baseball Field	30,162.95
Rodeo Arena	0.00
Original Entrance Landscaping	7,250.00
Luminis Software	2,993.00
Landscaping	177,722.42
Campus Signage	2,801.67
Roof Replacement	27,382.26
Dorm/Apartment Refurbish	310,005.99
Campus Construction	397,821.90
Oil & Gas Training	245,674.97
Maintenance Equipment	3,452.01
Public Sector	19,227.00
Campus Security	62,758.61
Track/Arena Area Enhancement	15,396.78
Lumens Software-Distance Learnig	5,000.00
Copier Replacement	7,104.00
Non-Recurring Compensation	152,169.10
Athletics	150,451.47
Student Life Programming	13,218.63
Warehouse/Cont Ed Remodel	1,640.92
Succession Plan	108,152.25
Energy Technology Equipment	300,000.00
WHM Exhibits	91,098.78
Mansur Hall Upgrades	61,944.06
Senior Warm Water Wellness Ctr	1,500,000.00
Paradigms Users Fees	0.00
Track Upgrades	27,824.44
Driving Range Upgrades	200,000.00
Lockheed Martin Nuclear Training	350,000.00
Cosmetology Remodel	700,000.00
Equine Program	15,108.75
Entertainment Technology	1,300,215.30
Cafeteria Upgrade	44,194.92
Channel 19 Upgrade	25,000.00
FERPA & Title IX	9,459.00
Professional Development HS	14,036.29
Equestrian Center	3,000,000.00
Bob Moran Upgrades	418,110.93
Campus/Hospital Fencing	200,000.00
Turf Replacement	200,000.00
Watson Hall Theater	265,455.52
Infrastructure Upgrade	1,473,937.50
Cadet Supplement	21,807.54
Workforce Training Contingency	5,794.60
TOTAL	<u><u>12,327,197.03</u></u>



NEW MEXICO JUNIOR COLLEGE
FINANCIAL STATEMENTS
WITH REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
YEAR ENDED JUNE 30, 2014

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NEW MEXICO JUNIOR COLLEGE
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**NEW MEXICO JUNIOR COLLEGE
OFFICIAL ROSTER
JUNE 30, 2014**

Name	BOARD MEMBERS	Title
Guy Kesner		Chairman
Pat Chappelle		Member
Zeak Williams		Member
Mary Lou Vinson		Member
Ron Black		Member
Hector Baeza		Member
Travis Glenn		Member
ADMINISTRATIVE OFFICIALS		
Dr. Steve McCleery		President
Dan Hardin		Vice-President for Finance
Dr. Dennis Atherton		Vice-President for Instruction
Phillip Roybal		Vice-President for Student Services
Dr. Robert Rhodes		Vice-President for Training and Outreach

Name	NMJC FOUNDATION BOARD MEMBERS	Title
Betty Rickman		President
Scott Smith		Vice-President
Dan Hardin		Treasurer
Tina Kunko		Secretary



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
New Mexico Junior College Board
New Mexico Junior College
Hobbs, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the fiduciary fund of New Mexico Junior College (the College) as of and for the year ended June 30, 2014, 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 also have audited the budgetary comparisons presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2014, 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 error or fraud.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the fiduciary fund of New Mexico Junior College, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014 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 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 New Mexico Junior College's internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Hobbs, New Mexico
November 13, 2014

Overview of the Financial Statements and Financial Analysis

For financial reporting purposes, New Mexico Junior College (College) is considered a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

This report consists of Management's Discussion and Analysis (this part), the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements provide both long-term and short-term financial information for the College. Included in the reports and discussion is the New Mexico Junior College Foundation as a component unit for fiscal year 2014.

The discussion and analysis of the College's financial statements provides an overview of its financial activities as of and for the year ended June 30, 2014. This discussion gives a comparative analysis of business-type activity from fiscal year 2013 to fiscal year 2014.

Financial Highlights

- The College's assets exceeded its liabilities at the close of the June 30, 2014 fiscal year by \$87,988,441. Of this amount, \$18,131,949 is unrestricted and may be used for the College's ongoing operations.
- The College's financial position improved in 2013/2014 as compared to prior years. Net Position increased during the year by \$5,451,825 over the previous year. The increase resulted primarily from unbudgeted revenue from local mill levy.
- The College's investments reflect \$9,589,592 at June 30, 2014, all of which are with the Local Government Investment Pool.

The Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position report the College's Net Position and how they have changed. Net Position—the difference between assets and liabilities—is one way to measure the College's financial health, or position. Over time, increases or decreases in the College's Net Position are an indicator of whether its financial health is improving or deteriorating. Non-financial factors are also important to consider, including student enrollment and the condition of campus facilities. These statements include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting method used by private-sector institutions. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The following table summarizes the College's assets, liabilities, and net position as of June 30, 2014, and includes the comparison to the prior year.

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014 NMJC Foundation</u>
Assets:			
Current assets	\$ 21,268,078	\$ 18,593,462	\$ 662,303
Capital assets, net	70,359,238	66,575,200	-
Noncurrent assets-			
Investments	-	-	6,410,770
Restricted cash	563,304	563,797	-
Total assets	<u>\$ 92,190,620</u>	<u>\$ 85,732,459</u>	<u>\$ 7,073,073</u>
Liabilities:			
Current liabilities	\$ 3,271,734	\$ 2,705,925	\$ 5,856
Non-current liabilities	930,445	1,366,050	-
Total liabilities	<u>4,202,179</u>	<u>4,071,975</u>	<u>5,856</u>
Net Position:			
Net investment in capital assets	69,293,188	64,989,562	-
Restricted:			
Nonexpendable endowments	-	-	4,578,708
Expendable grants, bequests and contributions	-	-	2,360,385
Expendable future debt service requirements	563,304	563,797	-
Unrestricted net assets	18,131,949	16,107,125	128,124
Total net position	<u>\$ 87,988,441</u>	<u>\$ 81,660,484</u>	<u>\$ 7,067,217</u>

Analysis of Net Position

As noted earlier, Net Position may serve as a useful indicator of the College's financial position. For the College, assets exceeded liabilities by \$82,536,616 at the close of June 30, 2013, as compared to the \$87,988,441 as of June 30, 2014. As of June 30, 2014, the Net Position consists of investment of capital assets (e.g. land, building, and equipment), net of related debt in the amount of \$69,293,188 or 79%. The College uses these capital assets in its mission to provide postsecondary educational services to the College' service area; consequently, these assets are not available for future spending. Net Capital Assets increased in the 2014 fiscal year by \$3,784,038, net of depreciation expense of \$3,501,754. Net Position also consist of 20.6% unrestricted Net Position, or \$18,131,949. Restricted Net Position includes \$563,304, or .6% of expendable future debt service funds. The Statement of Net Position indicates growth in capital assets. Increases are due to the completion of construction projects and as well as renewal and replacement projects.

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table summarizes the College's revenues, expenses, and changes in Net Position for the year ending June 30, 2014 and includes a comparison to the year ended June 30, 2013.

Revenues, Expenses and Changes in Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014 NMJC Foundation</u>
Operating revenues	\$ 7,796,425	\$ 8,259,349	\$ 178,870
Operating expenses	35,625,788	32,174,996	277,745
Operating (loss) income	<u>(27,829,363)</u>	<u>(23,915,647)</u>	<u>(98,875)</u>
Non-operating revenues and expenses	<u>31,601,241</u>	<u>25,975,177</u>	<u>927,253</u>
Income before other revenue	3,771,878	2,059,530	828,378
Capital appropriations	<u>1,679,947</u>	<u>7,102</u>	<u>-</u>
Increase (decrease) in net position	<u>\$ 5,451,825</u>	<u>\$ 2,066,632</u>	<u>\$ 828,378</u>

Analysis of Changes in Net Position

The College's Net Position increased by \$5,451,825 during the 2014 fiscal year as compared to an increase of \$2,066,632 for the 2013 fiscal year. Operating revenues were \$7,796,425 in 2014, which is a decline of \$462,924 from fiscal year 2013. Operating expenses were \$35,625,788 in fiscal year 2014, which is an increase of \$3,450,792 from fiscal year 2013.

Operating Revenues

The following table summarizes the College's operating revenues of \$7,796,425 for the fiscal year ended June 30, 2014, as compared to the operating revenues of \$8,259,349 in 2013. Fiscal year 2014 reflects a decrease in federal grants and contracts, specifically a decrease in ABE, Carl Perkins, and Federal Workstudy funding. New Mexico Junior College Foundation revenues for the year total \$178,870, which is a decrease over fiscal year 2013.

Operating Revenues

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014 NMJC Foundation</u>
Student tuition and fees, net	\$ 3,789,592	\$ 3,779,883	\$ -
Federal grants and contracts	696,129	1,135,186	-
State and other grants and contracts	688,218	673,756	-
Auxiliary enterprises	2,289,951	2,342,563	-
Intercollegiate athletics	332,535	327,961	-
Gifts, bequests and endowments	<u>-</u>	<u>-</u>	<u>178,870</u>
Total operating revenues	<u>\$ 7,796,425</u>	<u>\$ 8,259,349</u>	<u>\$ 178,870</u>

NEW MEXICO JUNIOR COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Expenses

The following table summarizes the College's operating expenses of \$35,625,788 for the fiscal year ended June 30, 2014, as compared to the operating expenses of \$32,174,996 in 2013. The increase in operating expenses is attributed to the 4% compensation increase, increase for student financial aid, increase in auxiliary enterprises, and increase in intercollegiate athletics. New Mexico Junior College Foundation expenses for the year were \$277,745.

Operating Expenses

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014 NMJC Foundation</u>
Instruction	\$ 9,956,957	\$ 8,970,880	\$ -
Academic support	2,301,402	2,137,903	-
Student services	2,331,277	2,295,015	-
Institutional support	4,392,509	3,403,917	277,745
Operations and maintenance	3,826,492	3,511,435	-
Depreciation	3,501,754	3,234,638	-
Capital outlay	1,502,319	1,311,548	-
Student aid	4,093,260	3,896,958	-
Private grants	-	-	-
Student activities	159,125	162,212	-
Intercollegiate athletics	1,367,843	1,186,626	-
Auxiliary enterprises	2,192,850	2,063,864	-
Total operating expenses	<u>\$ 35,625,788</u>	<u>\$ 32,174,996</u>	<u>\$ 277,745</u>

NEW MEXICO JUNIOR COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

At June 30, 2014, the College had \$70,359,238 invested in capital assets as compared to \$66,575,200 at June 30, 2013.

Capital Assets, Net

	June 30, 2014	June 30, 2013	June 30, 2014 NMJC Foundation
Land Improvements	\$ 2,983,529	\$ 1,759,715	\$ -
Buildings	47,090,304	47,405,642	-
Infrastructure	11,724,868	8,449,783	-
Software	176,634	137,527	-
Library books	493,426	647,015	-
Furniture and equipment	2,298,000	2,638,199	-
Automobiles	609,724	219,070	-
Construction in progress	4,774,490	5,109,986	-
Land	208,263	208,263	-
Net capital assets	<u>\$ 70,359,238</u>	<u>\$ 66,575,200</u>	<u>\$ -</u>

Major capital expenditures during the 2014 fiscal year include the Track Upgrades project, the Original Entrance Landscaping project, the Equine Program project, the Infrastructure Renewal & Upgrade project, and Technology upgrade and various remodel projects.

The College disbursed a debt service payment on the principal of the 2005 Revenue Bonds. The payment was for \$519,588 in accordance with the amortization schedule and the outstanding balance of the revenue bonds at June 30, 2014 was \$1,066,050.

Budget Comparison

The significant variation between the original budget and the final budget is in the area of State Funding for capital projects. The original budget included all of the available funding from the State for capital projects. The final budget reflects the anticipated draws on the available State funding through the end of the fiscal year. The capital outlay was increased from the original budget to the final budget to reflect the Board approved designation of funds for capital projects. The other significant increase in the original budget to the final budget was in Local Government Appropriations. The Board and Management are very conservative in the original budgeting of Local Government Appropriations of oil and gas mill levy revenue. The increase in the final budget reflects only what is received over the budget with three months remaining in the fiscal year.

The impact of the variances in State Funding and Local Government Appropriations on future services or liquidity is positive. The State Funding for capital projects is available for use in future fiscal years for new and ongoing projects. The capital outlay will also be available for use in future years for new and ongoing projects, to maintain and improve facilities and services for students. The conservative approach to the Local Government Appropriations by the Board and Management will have a positive effect on future services and liquidity. The conservative approach minimizes a negative effect on the budget by a drop in revenue from oil and gas, and provides means to maintain and upgrade the campus facilities and infrastructure when oil and gas revenue is high.

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Economic Outlook

New Mexico Junior College serves as a community college center for the communities of southeastern New Mexico and portions of West Texas. The College is largely supported by the local mill levy in Lea County and the ongoing financial and political support from the State of New Mexico. Over the past several years the financial support from the State was declining, but in 2013 and 2014 State funding has remained steady. Early indications from the State Legislative Finance Committee are that the State Funding is seeing a slowdown due to the decline in the price of Oil, possibly signaling the further reduction in funding from the State in the coming fiscal year. The local economy has been strong and, from all forecasts, the economic outlook for Lea County will remain steady to strong. The unemployment rate in Lea County remains around 4%, which is well below the State and National percentages. Historically, the unemployment in Lea County drives the student enrollment at New Mexico Junior College. With the NMJC Board's approval Management has created different marketing strategies along with the online offerings, low tuition, housing, and athletics and it has been effective in taking the highs and lows out of the student credit hours at the College. The oil and gas industry is still the driving economic factor in Lea County. Because of new technology in the industry, there has been revitalization and extension of the projected life of some oil fields in Lea County. Drilling and exploration continue to be strong in the county and all information signals this will continue. Lea County property assessment continues to increase and construction is steady in the County. Property tax revenue for the College has increased by 21% over the past five years. The increases in property tax revenue have largely been the offset for any declining State support and for the increases in operational expense. Over all, the economic outlook for New Mexico Junior College for the coming year appears to be optimistic and stable.

NEW MEXICO JUNIOR COLLEGE

STATEMENT OF NET POSITION

June 30, 2014

ASSETS	Primary Government	NMJC Foundation
Current assets:		
Cash and cash equivalents	\$ 4,383,175	\$ 654,906
Short-term investments	9,589,592	-
Accounts receivable, net	5,990,444	7,397
Inventory	876,768	-
Prepaid expenses	302,536	-
Prepaid summer expenses	125,563	-
Total current assets	21,268,078	662,303
Non-current assets:		
Restricted cash and cash equivalents	563,304	-
Investments	-	6,410,770
Capital assets, net	70,359,238	-
Total non-current assets	70,922,542	6,410,770
Total assets	\$ 92,190,620	\$ 7,073,073
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 725,323	\$ 5,856
Accrued expenses	1,190,823	-
Interest payable	7,201	-
Unearned revenues	963,916	-
Compensated absences	156,410	-
Current maturity of bonds payable	228,061	-
Total current liabilities	3,271,734	5,856
Non-current liabilities:		
Compensated absences	92,456	-
Bonds payable	837,989	-
Total non-current liabilities	930,445	-
Total liabilities	4,202,179	5,856
Net position:		
Net investment in capital assets	69,293,188	-
Restricted for:		
Nonexpendable endowments	-	4,578,708
Expendable grants and contributions	-	2,360,385
Expendable future debt service requirements	563,304	-
Unrestricted	18,131,949	128,124
Total net position	87,988,441	7,067,217
Total liabilities and net position	\$ 92,190,620	\$ 7,073,073

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2014

	<u>Primary Government</u>	<u>NMJC Foundation</u>
Operating revenues:		
Student tuition and fees	\$ 3,789,592	\$ -
Federal grants and contracts	696,129	-
State and other grants and contracts	688,218	-
Auxiliary enterprises	2,289,951	-
Intercollegiate athletics	332,535	-
Gifts, bequests and endowments	-	178,870
Total operating revenues	<u>7,796,425</u>	<u>178,870</u>
Operating expenses:		
Instruction	9,956,957	-
Academic support	2,301,402	-
Student services	2,331,277	-
Institutional support	4,392,509	277,745
Operations and maintenance	3,826,492	-
Depreciation	3,501,754	-
Capital outlay	1,502,319	-
Student aid	4,093,260	-
Student activities	159,125	-
Intercollegiate athletics	1,367,843	-
Auxiliary enterprise expenses	2,192,850	-
Total operating expenses	<u>35,625,788</u>	<u>277,745</u>
Operating loss	<u>(27,829,363)</u>	<u>(98,875)</u>
Non-operating revenues (expenses):		
Property taxes	6,883,542	-
Oil and gas taxes	14,984,543	-
Federal pell grants	2,790,068	-
State appropriations, non-capital	6,067,965	-
Other revenue sources	1,053,149	-
Investment income (loss)	17,165	879,380
Interest on capital related debt	(57,947)	-
Loss on write-off of capital assets	(146,817)	-
Gain on sale of capital assets	9,573	-
Production taxes	-	(5,174)
Royalties	-	53,047
Net non-operating revenues (expenses)	<u>31,601,241</u>	<u>927,253</u>
Income before capital appropriations	3,771,878	828,378
State appropriations, capital	<u>1,679,947</u>	<u>-</u>
Change in net position	5,451,825	828,378
Net position, beginning of year	81,660,484	6,238,839
Net position, restatement (Note 17)	<u>876,132</u>	<u>-</u>
Net position, beginning as restated	<u>82,536,616</u>	<u>6,238,839</u>
Net position, end of year	<u>\$ 87,988,441</u>	<u>\$ 7,067,217</u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE**STATEMENT OF CASH FLOWS**

For the year ended June 30, 2014

	Primary Government
Cash flows from operating activities:	
Tuition and fees	\$ 1,563,483
Federal and state grants and contracts	1,384,347
Auxiliary enterprise charges	2,289,951
Intercollegiate athletics	332,535
Payments to employees and for employee benefits	(18,621,206)
Disbursement of net aid to students	(5,243,288)
Payments to suppliers	(7,878,130)
Net cash (used) by operating activities	<u>(26,172,308)</u>
Cash flows from noncapital financing activities:	
State appropriations	6,067,965
Federal pell grants	2,790,068
Property taxes	6,883,542
Oil and gas taxes	14,984,543
Net cash provided by noncapital financing activities	<u>30,726,118</u>
Cash flows from capital financing activities:	
Principal payments on long term debt	(519,588)
Interest paid	(61,452)
Other revenue sources	1,053,149
Capital appropriations	1,679,947
Net cash provided by capital financing activities	<u>2,152,056</u>
Cash flows from investing activities:	
Purchase of capital assets	(7,432,609)
Proceeds on sale of capital assets	9,573
Interest received	17,165
Net cash (used) by investing activities	<u>(7,405,871)</u>
Net decrease in cash and cash equivalents	(700,005)
Cash and cash equivalents - beginning of year	15,236,076
Cash and cash equivalents - end of year	<u>\$ 14,536,071</u>
Reconciliation to Statement of Net Position	
Cash and cash equivalents	\$ 4,383,175
Short-term investments	9,589,592
Restricted cash and cash equivalents	563,304
Cash and cash equivalents - end of year	<u>\$ 14,536,071</u>
Operating Loss	\$ (27,829,363)
Reconciliation of operating loss to net cash used by operating activities:	
Depreciation expense	3,501,754
Changes in assets and liabilities:	
Accrued expenses	178,663
Inventory	(255,104)
Unearned revenue	56,944
Prepaid expenses	40,161
Compensated absences	28,393
Accounts payable	389,297
Accounts receivable, net	(2,283,053)
Net cash (used) by operating activities	<u>\$ (26,172,308)</u>
Supplemental Disclosure of Cash Flow Information	
Loss on write-off of capital assets	<u>\$ (146,817)</u>

The accompanying notes are an integral part of these financial statements

NEW MEXICO JUNIOR COLLEGE
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2014

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 306,070
Accounts receivable	<u>777</u>
Total assets	<u><u>\$ 306,847</u></u>
LIABILITIES	
Accounts payable	\$ 14,372
Due to student organizations	<u>292,475</u>
Total liabilities	<u><u>\$ 306,847</u></u>

The accompanying notes are an integral part of these financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Organization*

New Mexico Junior College (the College) was established in 1965, in accordance with laws of the State of New Mexico to serve the needs of the residents of Lea County, New Mexico. The College has grown into a comprehensive community college. New Mexico Junior College (NMJC) offers a variety of educational opportunities and services to meet needs in the lifelong process of personal and professional development. NMJC offers programs for students to develop basic academic skills for successful post-secondary study; courses and programs that prepare individuals for employment, career updating, and job advancement; the first two years of study for those seeking transfer to a four-year college; public service activities, including workshops, seminars, forums, and cultural arts programs; comprehensive student development services which provide student support and assistance; and courses for personal growth and cultural enrichment. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.

2. *Financial Statement Presentation*

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

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

3. *Reporting Entity*

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, the accompanying financial statements present the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows of the New Mexico Junior College and its discretely presented component unit.

In evaluating how to define the government for financial reporting purposes, the College has considered all potential component units. The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. Organizations that are legally separate tax-exempt entities that meet *all* of the criteria should be discretely presented as component units.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

- A. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- B. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- C. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Component Unit

Component units are legally separate organizations for which the primary organization is financially accountable. Component units can also be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entities financial statements to be misleading or incomplete. In addition, component units can be organizations that raise and hold economic resources for the direct benefit of a primary unit. Because of the closeness of their relationships with the primary organization, some component units are blended as though they are part of the primary organization. However, most component units are discretely presented. The College has one blended and one discretely presented component unit. The College does not have any related organizations, joint ventures or jointly governed organizations.

The following is a blended component unit:

On October 25, 2011, the NMJC Research Foundation (the Research Foundation) was incorporated by New Mexico Junior College. The Research Foundation is a blended component unit of the College presented and reported upon as a part of the basic financial statements of the College.

The Research Foundation was organized pursuant to the University Research Park and Economic Development Act, NMSA 1978 Section 21-28-1, et. seq (“Act”). Specifically, the Research Foundation is organized to engage in cooperative ventures of innovative technological significance that will advance education, science, research, conservation, health care and/or economic development within New Mexico. The Research Foundation will serve as a resource, source of information, conduit and liaison between educational institutions, private industry and governmental entities to promote research in numerous areas including, but not limited to education and science.

The research and education activities will be aimed toward promoting collaboration between various entities to eliminate or reduce duplicate research efforts. The Research Foundation will seek to recruit technical experts, scientists, and other qualified individuals, including community and business leaders to be available for such research.

In addition to the activities set forth above, the Research Foundation will:

- Work with faculty and staff of New Mexico Junior College to develop and administer research, training and community service grants, contracts and self-service programs;
- Develop and manage major centers, institutes, community partnerships, and programs;
- Provide technology transfer services;
- Acquire, develop and manage real property to provide space for sponsored research programs;
- Administer fellowships and financially manage and invest gifts, trusts, and endowments, as they relate to the primary function of the Research Foundation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

The following is a discretely presented component unit:

In 1970, the New Mexico Junior College Foundation (the Foundation) was established to advance educational excellence at the College. The Foundation is a component unit of the College discretely presented and reported upon as a part of the basic financial statements of the College. The Foundation engages in fund raising to support the College's academic programs, scholarships, building funds and faculty/staff development. The Foundation coordinates all private capital fund raising for the College, including fund solicitations, gift acceptance, acknowledgements and asset management.

The New Mexico Junior College Foundation (the Foundation) is presented in the financial statements of the College due to the nature and significance of its relationship with the College. The Foundation is discretely presented to allow the financial statement users to distinguish between the College and the Foundation.

4. Basis of Accounting

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

During the year ended June 30, 2014, the College adopted Governmental Accounting Standards Board (GASB) Statements No. 65, No. 66, and No. 67. GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB 65 is not expected to have a significant impact on the College's financial statements. GASB Statement No. 66, Technical Corrections-2012-An Amendment of GASB Statements No. 10 and No. 62. This objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54 and No. 62. GASB Statement No. 67, Financial Reporting for Pension Plans-An Amendment of GASB Statement No. 25. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The Fiduciary Funds are used to account for assets held by the College in a capacity as an agent for various student organizations and outside parties. Fiduciary Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

5. Management's Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Actual amounts could differ from those estimates. The more significant estimates included in the financial statements include allowances for uncollectible accounts and the estimated useful lives of capital assets.

6. Cash and Cash Equivalents and Statement of Cash Flows

For purposes of the statement of cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Immediate cash needs are met with resources deposited at the College's bank. Cash resources not used are swept nightly and invested overnight. Cash resources not needed to meet immediate needs are invested with the New Mexico State Treasurer's Office short-term investment pool (LGIP). Amounts invested with the State Treasurer's LGIP are readily available to the College when needed and are recorded at cost which approximates fair value.

Amounts in the State Treasurer's Reserve Contingency Fund are not currently available to the College and are recorded at their cost value less the estimated loss as provided by the State Treasurer's office.

Cash and cash equivalents include cash on hand, cash in banks, securities subject to overnight sweep repurchase agreements, and certificates of deposit with various financial institutions. For the purposes of the cash flow statement, due to its liquidity and characteristics, the investment on hand at the LGIP is considered a cash equivalent. At June 30, 2014, the amount of cash and cash equivalents reported on the financial statements differs from the amount on deposit with the various financial institutions because of transactions in transit and outstanding checks.

7. Receivables

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

8. Unearned Revenue and Expenditures

Unearned revenue relates to student tuition, fees, and bookstore sales received during the current physical period for classes to be held in the following period. Similarly, deferred expenditures represent scholarship funds expended in the current period relating to the following period. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property tax receivables are recognized in the period for which the taxes are levied, net of estimated refunds and uncollectible amounts.

9. Inventories

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

10. *Capital Assets*

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings costing \$100,000 or more, and infrastructure and land improvements costing \$50,000 or more and that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset, generally 40 years for buildings, 20 years for infrastructure and land improvements, 5 years for library books, 5 years for automobiles, 5 to 7 years for equipment and 5 to 10 years for externally purchased software. Information technology equipment including software is being capitalized in accordance with 2.20.1.9(C)(5) NMAC [9-30-99, recompiled 10/01/01].

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

11. *Compensated Absences*

Accumulated unpaid vacation is accrued when incurred in the current unrestricted fund. Employees entitled to earn vacation may accrue five, ten, or fifteen days vacation each year. According to College policy, conversion of sick leave accrual to cash is not permitted and in accordance with Accounting Standards Codification No. 710, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick leave.

12. *Restricted Assets*

Restricted assets are assets which have third-party limitations on their use. The Debt Service Fund accounts for principal and interest due to the Series 2005 Bonds. Principal and interest on the Series 2005 Bonds are payable solely from the auxiliary activities revenue and from the local Mill Levy pledged to secure the payments. The bond agreement requires the creation and maintenance of a debt service reserve account and a capitalized interest account.

The College's Foundation endowment consists of funds established for tuition assistance and institutional support. As required by generally accepted accounting principles, restricted assets associated with endowment funds, including funds designated by the governing body to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's endowment policy requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the donor restricted endowment fund that is not classified in permanently restricted assets is classified as temporarily restricted assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with applicable State laws and internal policies.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

13. Revenue

Operating revenue includes activities that have the characteristics of an exchange transaction, such as a) student tuition and fees, net of scholarship discounts and allowances; b) sales and services; and c) contracts and grants.

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

14. Economic dependency

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

The College receives a significant portion of their revenue from property tax revenue and oil and gas tax revenue. Property tax revenue was \$6,883,542 or 17% of total revenue in fiscal year 2014. Oil and gas production and equipment tax revenue fluctuates significantly upon demand and was \$14,984,543 or 37% of total revenue in fiscal year 2014.

15. Net position

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

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

Restricted:

Nonexpendable: Net position subject to externally imposed conditions that the College retain them in perpetuity. Net position in this category consist of endowments held by the Foundation. All amounts for the primary government that are restricted in the statement of net position are considered restricted by enabling legislation.

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

Unrestricted: All other categories of net position. In addition, unrestricted net position may be designated for use by management of the College. This requirement limits the area of operations for which expenditures of net position may be made, and require that unrestricted net position be designated to support future operations in these areas. College housing programs are a primary example of operations that have unrestricted net position with designated uses.

The College has adopted a policy of utilizing restricted – expendable funds, when available, prior to unrestricted funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

16. Revenue Recognition for Derived Tax Revenues

It is the policy of the College to recognize nonexchange revenue for which there are time requirements in the period in which those time requirements are met, regardless of whether the revenues are due or whether an enforceable legal claim exists. If no time requirements are specified in enabling legislation, revenues are recognized when the College has an enforceable legal claim (provided that the underlying exchange transaction has occurred) to the assets or when they are received, whichever occurs first.

17. Budgetary Process

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

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

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

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

Budgetary Control. Total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary control are as follows: (1) unrestricted and restricted expenditures are considered separately; (2) total expenditures in instruction and general; (3) total expenditures of each budget function in current funds other than instruction and general; and (4) within the plant funds budget, the items of budgetary control are major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service.

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

18. Interfund borrowing

Interfund borrowing is recorded in each fund as due to/due from other funds. Such borrowing is temporary in nature and is authorized in advance by the board or administrative action. The borrowing provides needed working capital. No interest is charged on interfund loans.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

19. Income Tax Status

The income generated by the College, as an instrumentality of the State of New Mexico, generally is excluded from federal income taxes under Section 115(a) of the Internal Revenue Code. However, the College is subject to taxation on income derived from business activities not substantially related to the College's exempt function (unrelated business income under Internal Revenue Code Section 511); such income is taxed at the normal corporate rate. Contributions to the College are deductible by donors as provided under Section 170 of the Internal Revenue Code.

The Foundations are exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

20. Property Tax Calendar

Property Taxes are levied on November 1 based on the assessed value of property listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after May 10th are considered delinquent. The taxes attach as an enforceable lien on property as of January 1st.

21. Reclassifications

Certain reclassifications were made to the 2013 financial statement presentation in order to conform to the 2014 financial statement presentation. The reclassifications had no effect on the previously reported change in net assets.

NOTE 2 – DEPOSITS AND INVESTMENTS

State statutes authorize the investment of College funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the College properly followed State investment requirements as of June 30, 2014.

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

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

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

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the FDIC. Beginning January 1, 2013, all of the College's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 – DEPOSITS AND INVESTMENTS, (continued)

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2014, \$1,852,977 of the College's bank balance of \$2,681,775 was exposed to custodial credit risk. \$985,460 was uninsured and collateralized by the collateral held by the pledging bank's trust department, not in the College's name and \$867,517 was uninsured and uncollateralized.

	Wells Fargo Bank	Western Commerce Bank	Lea County Bank	Bank of America	Total
Total amount of deposits	\$ 2,334,643	\$ 25,025	\$ 268,334	\$ 53,773	\$ 2,681,775
Deposit accounts covered by the FDIC coverage	<u>500,000</u>	<u>25,025</u>	<u>250,000</u>	<u>53,773</u>	<u>828,798</u>
Total uninsured public funds	1,834,643	-	18,334	-	1,852,977
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the College's name	<u>971,105</u>	<u>-</u>	<u>14,355</u>	<u>-</u>	<u>985,460</u>
Uninsured and uncollateralized	<u>\$ 863,538</u>	<u>\$ -</u>	<u>\$ 3,979</u>	<u>\$ -</u>	<u>\$ 867,517</u>
Collateral requirement (50% of uninsured public funds)	917,322	-	9,167	-	926,489
Pledged security	<u>971,105</u>	<u>-</u>	<u>1,770,000</u>	<u>286,041</u>	<u>3,027,146</u>
Over (under) collateralization	<u>\$ 53,783</u>	<u>\$ -</u>	<u>\$ 1,760,833</u>	<u>\$ 286,041</u>	<u>\$ 2,100,657</u>

The collateral pledged is listed on Schedule III of this report.

Investments

State statute authorizes the College to invest in direct obligations of the United States or securities that are backed by the full faith and credit of the United States Government or agencies guaranteed by the United States Government. State statute also authorizes the College to invest in bonds or negotiable securities of the United States, the State of New Mexico, or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding.

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The College has no investment policy that would further limit its investment choices.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 – DEPOSITS AND INVESTMENTS, (continued)

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The New Mexico Junior College does not have a policy to manage the credit risk of its investments. The overnight repurchase is the only investment subject to custodial credit risk, as the other investments are external pools. As of June 30, 2014, all of the deposits in the overnight repurchase account were subject to custodial credit risk, however, the entire amount was collateralized by collateral held by the pledging bank's trust department, not in the College's name.

Custodial Credit Risk - Investments

	Wells Fargo Bank
Total amount of deposits	\$ 2,240,560
Deposit accounts covered by the FDIC coverage	<u>-</u>
Total uninsured public funds	2,240,560
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the College's name	<u>2,240,560</u>
Uninsured and uncollateralized	<u><u>\$ -</u></u>
Collateral requirement (102% of uninsured public funds)	2,285,371
Pledged security	<u>2,285,371</u>
Over collateralization	<u><u>\$ -</u></u>

The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Section 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares.

Per Section 6-10-10.1(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

As of June 30, 2014, the College's investment in the State Treasurer Local Government Investment Pool was rated as AAAM by Standard & Poor's and the investment in the State Treasurer Local Government Investment Pool – Reserve Contingency Fund was unrated.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 2 – DEPOSITS AND INVESTMENTS, (continued)

The College's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Quality and Interest Rate Risk

	<u>Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
<i>New MexiGROW</i> LGIP	AAAm	\$ 9,595,523	48.6 days
<i>New MexiGROW</i> LGIP – Reserve Contingency Fund	Not rated	5,931	Does not earn interest
New Mexico Finance Authority	Not rated	360,837	Less than 90 days
State Treasurer's Debt Service	Not rated	202,467	Less than 90 days

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the College's or the Foundation's investment in a single type of security. The College and the Foundation do not have a formal policy to address concentration of credit risk. The College did not have any investments at June 30, 2014, other than investments in the State Treasurer's *New MexiGROW* LGIP. Therefore, they are not subject to any concentration of credit risk.

The following represents the concentration of credit risk regarding the investments of the College at June 30, 2014:

<u>Investment</u>	<u>Market Value</u>	<u>Percent of Investment</u>
<i>New MexiGROW</i> LGIP	\$ 9,589,592	94%
New Mexico Finance Authority	360,837	4%
State Treasurer's Debt Service	202,467	2%
Total investments	<u>\$ 10,152,896</u>	<u>100.0%</u>

Beginning Cash and Cash Equivalents – Statement of Cash Flows

The College considers all instruments with an original maturity of 90 days or less to be cash equivalents for the purpose of presenting the statement of cash flows. Accordingly, beginning cash and cash equivalents as presented on the statement of cash flows has been adjusted to reflect the \$9,589,592 invested with the *New MexiGROW* LGIP as cash equivalents.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – DEPOSITS AND INVESTMENTS, (continued)

Reconciliation of Deposits and Investments to the Statement of Net Position and Statement of Fiduciary Assets and Liabilities

Deposits and overnight repurchase	\$ 4,922,335
New MexiGROW LGIP	9,589,592
New Mexico Finance Authority mutual fund	360,837
State Treasurer's debt service	202,467
Total deposits and investments	<u>15,075,231</u>
Petty cash	4,236
Subtract reconciling items	<u>(237,326)</u>
Total cash and cash equivalents and investments	<u>\$ 14,842,141</u>
Statement of Net Position:	
Cash and cash equivalents	\$ 4,383,175
Short-term investments	9,589,592
Restricted cash and cash equivalents	<u>563,304</u>
Cash and cash equivalents, end of year per statement of cash flows	14,536,071
Statement of Fiduciary Assets and Liabilities:	
Cash and cash equivalents	<u>306,070</u>
Net deposits and investments	<u>\$ 14,842,141</u>

Restricted cash and cash equivalents represent amounts held by the trustee for the System Revenue Bonds Series July 1, 2005 for the bond project and debt service reserve funds.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 3 – ACCOUNTS RECEIVABLE

The College's accounts receivable at June 30, 2014 represent revenues earned from student tuition and fees, loans, advances to students, local tax levy, federal government grants and contracts, and State of New Mexico agencies that include pass through federal and state grants. All amounts are expected to be collected within sixty days after year-end with the exception of oil and gas taxes which are a derived tax revenue and assets must be recognized in the period when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever comes first. A receipt was received late September 2014 while the College submits its report to HED by September 15, 2014. Therefore, the revenue recognized for oil and gas taxes from the report sent to HED does not match our report. A receipt received in September 2013 for June 2013 activity was not recorded and will be considered a restatement. A derived tax revenue adjustment was issued for \$876,132. An allowance for uncollectible accounts has been established for student accounts judged to be uncollectible due to the age of the receivables. A schedule of receivables and allowance for uncollectible accounts is as follows:

Property taxes	\$	213,880
Oil and gas taxes		3,555,656
General receivables		1,057,859
Student receivables		1,434,733
Other taxes receivable		535,287
		<u>6,797,415</u>
Less allowance for uncollectible accounts		<u>(806,971)</u>
Net total accounts receivable	\$	<u><u>5,990,444</u></u>

NOTE 4 – ACCRUED EXPENSES

The College's accrued expenses at June 30, 2014 are as follows:

Payroll	\$	493,246
Payroll taxes and related liabilities		<u>697,577</u>
Total accrued expenses	\$	<u><u>1,190,823</u></u>

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 5 – CAPITAL ASSETS

The following table summarizes the changes in capital assets during the fiscal year ended June 30, 2014:

	June 30, 2013	Additions	Deletions	June 30, 2014
Assets not being depreciated:				
Construction in progress	\$ 5,109,986	\$ 5,548,179	\$ 5,883,675	\$ 4,774,490
Land	208,263	-	-	208,263
	<u>5,318,249</u>	<u>5,548,179</u>	<u>5,883,675</u>	<u>4,982,753</u>
Assets being depreciated:				
Land improvements	4,683,972	1,473,455	-	6,157,427
Buildings	66,356,833	1,188,373	-	67,545,206
Infrastructure	10,524,372	3,780,219	-	14,304,591
Software	944,779	80,210	10,200	1,014,789
Library books	3,213,265	115,257	2,149,268	1,179,254
Furniture and equipment	11,332,256	647,647	1,320,629	10,659,274
Automobiles	1,313,215	482,945	10,885	1,785,275
	<u>98,368,692</u>	<u>7,768,106</u>	<u>3,490,982</u>	<u>102,645,816</u>
Totals	<u>103,686,941</u>	<u>13,316,285</u>	<u>9,374,657</u>	<u>107,628,569</u>
Less accumulated depreciation:				
Land improvements	2,924,257	249,641	-	3,173,898
Buildings	18,951,191	1,503,711	-	20,454,902
Infrastructure	2,074,589	505,134	-	2,579,723
Software	807,252	40,083	9,180	838,155
Library books	2,566,250	195,969	2,076,391	685,828
Furniture and equipment	8,694,057	914,925	1,247,708	8,361,274
Automobiles	1,094,145	92,291	10,885	1,175,551
	<u>37,111,741</u>	<u>3,501,754</u>	<u>3,344,164</u>	<u>37,269,331</u>
Net capital assets	<u>\$ 66,575,200</u>	<u>\$ 9,814,531</u>	<u>\$ 6,030,493</u>	<u>\$ 70,359,238</u>

Depreciation expense as of June 30, 2014 was \$3,501,754. On June 20, 2014, the College's Board of Directors certified an annual inventory of the College's assets and wrote-off \$146,817.

NOTE 6 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. New Mexico Junior College contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents and surviving spouse and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long term care policies.

Eligible retirees are 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during the period of time made contributions as a participant in the RHCA plan on the person's behalf unless the person retires before the employers' RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The College's contributions to the RHCA for the years ended June 30, 2014, 2013, and 2012 were \$252,154, \$235,193 and \$219,979, respectively, which equal the required contributions for each year.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 7 – PENSION PLAN - EDUCATIONAL RETIREMENT BOARD

Plan Description. Substantially all of the College's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (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 retirement 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 State public school districts, colleges and universities) 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, NM 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy.

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions

In fiscal year 2014, the College was required to contribute 13.15% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than \$20,000.

In the future, New Mexico Junior College will contribute the following percentages of the gross covered salary of employees: 13.9% of gross covered salary in fiscal year 2015.

The contribution requirements of plan members and the College are established in State statute under Chapter 22, Article 11, NMSA1978. The requirements may be amended by acts of the legislature. The College's contributions to ERB for the fiscal years ending June 30, 2014, 2013, and 2012, were \$1,487,809, \$1,162,290 and \$1,052,823, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 8 – GROUP INSURANCE PROGRAM

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

NOTE 9 – OPERATING LEASES

The College has entered into various operating leases for equipment. The terms of all leases are one year or less. The College expects that in the normal course of business, such leases will continue to be required.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 10 – RISK MANAGEMENT

The College currently is party to various litigation and other claims in the ordinary course of business. The College has property and liability insurance coverage with Coregis Insurance Company and workers compensation insurance coverage with Mountain States Mutual. The College believes that the outcome of all pending and threatened litigation will not have a material adverse effect on the financial position or operations of the College.

Federal grants received by the College are subject to audit by the grantors. In the event of noncompliance with funding requirements, grants may be required to be refunded to the grantor. College management estimates that such refunds, if any, will not be significant.

NOTE 11 – JOINT POWERS AGREEMENTS

The College has established a joint powers agreement with Lea County, Hobbs Municipal School District, City of Hobbs, City of Lovington, Eunice Municipal School District, Tatum Municipal School District and Jal Municipal School District for the purpose of enabling the parties involved to benefit from substantial savings in the procurement of similar services, construction or tangible personal property. The agreement became effective November 17, 2003, and any party to the agreement can terminate participation by providing thirty days written notice. Any of the participating agencies may act as the Lead Agency whereby that agency shall contact the remaining participating agencies to determine if they are willing to participate in a bid or proposal for quote to be prepared by the Lead Agency.

The College revised a joint powers agreement on February 19, 2004 to include Eastern New Mexico University as a member of the Lea County Distance Education Consortium, Inc. (Consortium). The group consists of every public school system in Lea County, New Mexico, together with New Mexico Junior College and Eastern New Mexico University. The purpose of the Consortium is to purchase a two-way interactive television network to provide educational services between each of the members. This agreement shall continue as mutually agreeable by all parties.

NOTE 12 – NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT)

Nature of Operations

The New Mexico Junior College Foundation (the Foundation) is a New Mexico nonprofit corporation, organized to solicit, receive, hold, invest and transfer funds for the benefit of the College.

Basis of Accounting

The Foundation's financial statements have been prepared on the accrual basis of accounting. The Foundation follows Governmental Accounting Standards Board (GASB) pronouncements. Revenues and expenses are classified for reporting purposes into net position categories according to externally (donor) imposed restrictions. A description of the net position categories follows:

Net Position

Unrestricted net position represent resources whose use is not limited or restricted by donors. Unrestricted net position have arisen from exchange transactions and receipt of unrestricted contributions. Restricted net position represent those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. Restricted expendable net position are resources that the Foundation is legally or contractually obligated to spend in accordance with imposed restrictions by third parties, such as donors.

NEW MEXICO JUNIOR COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 12 – NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT), (continued)

Endowment contributions and investments are permanently restricted by the donor. Investment earnings used for distributions are recorded in unrestricted net position. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net position based on the nature of the restrictions.

Donor Restricted endowment disbursements of the net appreciation of investments are permitted in accordance with the Uniform Prudent Management of Institutional Funds Act [46-9A-1 to 46-9A-12 NMSA], except where a donor has specified otherwise. The investment committee of the Foundation and College management review the investment earnings designed to support distributions from the Endowment and to protect the purchasing power of the endowment principal. Distributions from the Endowment are made available to the College, which benefits from each individual endowment. The annual spending distribution is computed at the end of the year as a percentage of net interest and dividend earnings, investment fees and net capital change for the year. The Investment Committee of the Foundation and College management sets the annual distribution, which endowment donors must approve.

Tax Status

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been determined to be an organization which is not a private foundation.

Effective October 1, 2009, the Foundation adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2014, the Foundation has no material uncertain tax positions to be accounted for in the financial statements under the new rules. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense and penalties expense, respectively.

The Foundation files its forms 990 in the U.S. federal jurisdiction and a copy is filed with the Attorney General of New Mexico, Registry of Charitable Organizations. The Foundation is generally no longer subject to examination by the Internal Revenue Service for years before 2011.

Cash and Cash Equivalents

The Foundation maintains cash balances in a local bank and an investment company. These cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Accounts held by an official custodian of a government unit will be insured as follows:

- Up to \$250,000 for the combined total of all time and savings accounts (including NOW accounts), and
- Up to \$250,000 for the combined amount of all interest-bearing and noninterest-bearing demand deposit accounts

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 12 – NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT), (continued)

As of June 30, 2014, there were no balances in excess of insurance coverage.

	Merrill Lynch	Wells Fargo Bank	First American Bank	Total
Total amount of deposits	\$ 323,482	\$ 167,534	\$ 189,035	\$ 680,051
Less: FDIC coverage	250,000	167,534	189,035	606,569
Less: SIPC coverage	<u>73,482</u>	<u>-</u>	<u>-</u>	<u>73,482</u>
Total uninsured public funds	-	-	-	-
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the College's name	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured public funds)	-	-	-	-
Pledged security	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Over (under) collateralization	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the College's or the Foundation's investment in a single type of security. The College and the Foundation do not have a formal policy to address concentration of credit risk. The College did not have any investments at June 30, 2014, other than investments in the State Treasurer's *New MexiGROW* LGIP. Therefore, they are not subject to any concentration of credit risk.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 12 – NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT), (continued)

The following represents the concentration of credit risk regarding the investments of the Foundation at June 30, 2014:

Investment	Market Value	Percent of Foundation's Investment
Equities	\$ 4,471,196	70.0%
Mutual funds	1,919,991	30.0%
Total Foundation investments	<u>\$ 6,391,187</u>	<u>100.0%</u>

The Foundation also maintains a royalty interest in the amount of \$19,583; however, it is not a financial instrument subject to credit risk.

Receivables

The Foundation considers receivables to be 100% collectible; therefore no allowance has been made for uncollectible amounts. The receivable at June 30, 2014 consists of the following:

Golf tournament fundraising pledges receivable	\$ 3,250
Oil and gas receivable	<u>4,147</u>
Accounts receivable, net	<u>\$ 7,397</u>

Functional expenses

The Foundation had the following functional expenses during the year ended June 30, 2014:

Program expenses	\$ 259,824
Fundraising expenses	<u>17,921</u>
Total functional expenses	<u>\$ 277,745</u>

Institutional support

The Foundation provided the following institutional support to the College during the year ended June 30, 2014:

Scholarships	\$ 193,036
Program Assistance	20,928
Work-Study	17,437
Administrative Support	24,423
Awards	<u>4,000</u>
Total institutional support	<u>\$ 259,824</u>

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 12 – NEW MEXICO JUNIOR COLLEGE FOUNDATION (COMPONENT UNIT), (continued)

Related party

On July 7, 2003, the Foundation formed Lea County Student Housing, LLC (the LLC). The Foundation is the 100% member of the LLC which was formed for the purpose of building and renting dorm space to the College's students. The LLC has not had any activity since its formation.

NOTE 13 – CONSTRUCTION COMMITMENTS

The College has various construction projects as of June 30, 2014. The commitments related to these projects are approximately \$2,497,293 as of June 30, 2014. These project costs are as follows:

<u>Project Description</u>	<u>Amount</u>
Western Heritage Museum South Gallery	\$ 18,240
Infrastructure Renewal & Upgrade	2,456,022
Original Entrance Landscaping	7,250
Dorm/Apartment Refurbish	12,174
Equine Program	3,607
	<u>\$ 2,497,293</u>

NOTE 14 – COMPENSATED ABSENCES

Accumulated unpaid vacation is accrued when incurred. Employees entitled to earn vacation pay earn it at various rates based on length of employment. Up to 180 hours of vacation may be accrued and paid out upon termination. Sick leave is not paid out upon termination; accordingly, no liability for sick leave is recorded by the College. The College had a liability for accrued vacations as of June 30, 2014 as follows:

Accrued vacation – beginning of year	\$ 220,473
Additions	184,803
Deletions	<u>(156,410)</u>
Accrued vacation – end of year	<u>\$ 248,866</u>

The College estimates that \$156,410 will be due within one year.

NOTE 15 – BONDS PAYABLE

The College issued revenue bonds to provide funds for the construction of student housing on the New Mexico Junior College campus. Bonds outstanding at June 30, 2014 consist of the following issue:

System Revenue Bonds
Series: July 15, 2005
Original Issue: \$4,589,369
Principal: May 1
Interest: May 1 and November 1
Rates: 2.34% to 4.26%
Matures: May 1, 2021

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 15 – BONDS PAYABLE, (continued)

The Series 2005 Bonds are special limited obligations of the College and the principal and interest on the Series 2005 Bonds are payable solely from the auxiliary activities revenue and from the local Mill Levy pledged to secure the payments. The bond agreement requires the creation and maintenance of a debt service reserve account and a capitalized interest account. The College is not aware of any instances where it is not in compliance with all significant requirements of the bond agreement.

The Series 2005 Bonds do not constitute a debt or pledge of the faith and credit of the College or the State, and the New Mexico Finance Authority, as the owner of the Series 2005 Bonds, has no right to have taxes levied for the payment of debt service.

Long-term liability for the year ended June 30, 2014 was as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>	<u>Due within One Year</u>
System Revenue Bonds Series 7/15/2005	\$ <u>1,585,638</u>	\$ <u>-</u>	\$ <u>519,588</u>	\$ <u>1,066,050</u>	\$ <u>228,061</u>

The annual debt service requirements to maturity, including principal and interest for System Revenue Bonds Series 2005 long-term debt as of June 30, 2014 are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 228,061	\$ 38,715	\$ 266,776
2016	237,060	29,470	266,530
2017	246,595	19,695	266,290
2018	256,658	9,378	266,036
2019	<u>97,676</u>	<u>2,040</u>	<u>99,716</u>
Totals	\$ <u>1,066,050</u>	\$ <u>99,298</u>	\$ <u>1,165,348</u>

NOTE 16 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

A. Deficit equity

The College does not maintain a deficit equity position.

B. Excess of expenditures over appropriations.

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

C. Designated cash appropriation in excess of available balances.

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

NOTE 17 – NET POSITION RESTATEMENT

The College has restated net position in the amount of \$(876,132) for a derived tax revenue adjustment for oil and gas taxes. At June 30, 2013, an oil and gas tax revenue stream was received late in the year and the underlying production was for the month of June 2013, therefore the \$876,132 was not recorded.

NOTE 18 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 13, 2014, which is the date on which the financial statements were available to be issued.

NOTE 19 – SUBSEQUENT PRONOUNCEMENTS

In June 2012, Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2015 and is expected to have a material impact on the College's financial statements.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*. Effective Date: The provisions of this statement are effective for financial statements for periods beginning after December 15, 2013. Earlier application is encouraged. The College is analyzing the effects that this statement will have on their financial statements.

In November 2013, GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. Effective Date: The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. This statement will be implemented during the fiscal year ending June 30, 2015.

NEW MEXICO JUNIOR COLLEGE

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 20 – CONCENTRATIONS

The College depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the College is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

NOTE 21 – LEGISLATIVE GRANTS

The College had the following legislative grants funded by Severance Tax Bonds (STB) and General Obligation Bonds (GOB) as of June 30, 2014:

Project	Agency	Grant #	Effective Date	Reversion Date
NMJC Energy Technology Training	Higher Education Department	STB 14-2111	6/24/2014	6/30/2016
NMJC Energy Technology Center Equipment	Higher Education Department	STB 12-1521	6/29/2012	6/30/2014
NMJC Infrastructure Improvements	Higher Education Department	STB 13-1882	7/23/2013	6/30/2017
NMJC Infrastructure Improvements	Higher Education Department	GOB 12-1241	4/23/2013	6/30/2016

Project	Net Amount	Expenditures to		
		Date	Reverted	Remaining
NMJC Energy Technology Training	\$ 425,000	\$ -	\$ -	\$ 425,000
NMJC Energy Technology Center Equipment	487,000	487,000	-	-
NMJC Infrastructure Improvements	1,000,000	1,000,000	-	-
NMJC Infrastructure Improvements	3,300,000	192,947	-	3,107,053
	<u>\$ 5,212,000</u>	<u>\$ 1,679,947</u>	<u>\$ -</u>	<u>\$ 3,532,053</u>

NEW MEXICO JUNIOR COLLEGE

UNRESTRICTED AND RESTRICTED - ALL OPERATIONS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ 10,403,695	\$ 15,065,883	\$ 15,085,285	\$ 19,402
Prior period restatement	-	-	876,131	876,131
<i>Beginning fund balance, as restated</i>	<u>10,403,695</u>	<u>15,065,883</u>	<u>15,961,416</u>	<u>895,533</u>
<i>Unrestricted and restricted revenues:</i>				
State general fund appropriations	6,327,222	6,353,964	6,738,746	384,782
Federal revenue sources	5,881,006	5,842,192	4,636,225	(1,205,967)
Tuition and fees	3,684,200	3,709,533	3,789,592	80,059
Other	3,343,061	5,283,139	5,404,382	121,243
Local funding	11,910,000	18,869,413	21,868,085	2,998,672
Private grants	-	-	17,437	17,437
<i>Total unrestricted and restricted revenues</i>	<u>31,145,489</u>	<u>40,058,241</u>	<u>42,454,467</u>	<u>2,396,226</u>
<i>Unrestricted and restricted expenditures:</i>				
Instruction	9,376,512	10,701,611	9,939,520	762,091
Academic support	2,283,258	2,375,443	2,301,402	74,041
Student services	2,523,852	2,547,333	2,331,275	216,058
Institutional support	3,353,261	4,499,999	4,392,509	107,490
Operation and maintenance of plant	3,290,590	3,786,723	3,826,492	(39,769)
Student social and cultural activities	167,837	159,500	159,125	375
Auxiliary services	1,799,060	2,157,160	2,043,030	114,130
Intercollegiate athletics	1,019,727	1,310,434	1,367,843	(57,409)
Internal service	84,909	199,571	149,820	49,751
Capital outlay	7,944,014	9,624,742	8,934,928	689,814
Other	-	-	22,066	(22,066)
Retirement of indebtedness	276,000	276,000	57,947	218,053
Student aid, grants and stipends	5,602,019	5,786,548	5,243,288	543,260
Private grants	-	-	17,437	(17,437)
<i>Total unrestricted and restricted expenditures</i>	<u>37,721,039</u>	<u>43,425,064</u>	<u>40,786,682</u>	<u>2,638,382</u>
<i>Net transfers</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(6,575,550)</u>	<u>(3,366,823)</u>	<u>1,667,785</u>	<u>5,034,608</u>
<i>Ending fund balance</i>	<u>\$ 3,828,145</u>	<u>\$ 11,699,060</u>	<u>\$ 17,629,201</u>	<u>\$ 5,054,010</u>
<i>Change in net position per statement of revenues, expenses and changes in net position</i>			5,451,825	
Capital outlay expenditures capitalized			(7,432,611)	
Loss on disposal of assets			146,817	
Depreciation expense			3,501,754	
<i>Financial statements change in net position reconciled to budgetary basis</i>			<u>\$ 1,667,785</u>	

See accompanying independent auditor's report

NEW MEXICO JUNIOR COLLEGE

UNRESTRICTED - NON INSTRUCTION AND GENERAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
<i>Beginning fund balance</i>	\$ 9,443,413	\$ 12,860,077	\$ 12,879,479	\$ 19,402
<i>Unrestricted revenues:</i>				
Internal service dept	24,000	24,000	27,357	3,357
Auxiliary enterprises	2,213,000	2,330,704	2,289,951	(40,753)
Athletics	330,900	330,900	332,535	1,635
STB/GOB Drawdowns	457,000	1,843,398	1,679,947	(163,451)
Other	-	-	76,282	76,282
<i>Total unrestricted revenues</i>	<u>3,024,900</u>	<u>4,529,002</u>	<u>4,406,072</u>	<u>(122,930)</u>
<i>Unrestricted expenditures:</i>				
Internal services	84,909	199,571	149,820	49,751
Student aid, grants and stipends	568,551	743,551	874,178	(130,627)
Auxiliary services	1,799,060	2,157,160	2,043,030	114,130
Intercollegiate athletics	1,019,727	1,310,434	1,367,843	(57,409)
Capital outlay	7,944,014	9,624,742	8,934,928	689,814
Other	-	-	22,066	(22,066)
Retirement of indebtedness	276,000	276,000	57,947	218,053
<i>Total unrestricted expenditures</i>	<u>11,692,261</u>	<u>14,311,458</u>	<u>13,449,812</u>	<u>861,646</u>
<i>Net transfers</i>	<u>2,248,288</u>	<u>7,201,760</u>	<u>10,635,208</u>	<u>3,433,448</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(6,419,073)</u>	<u>(2,580,696)</u>	<u>1,591,468</u>	<u>4,172,164</u>
<i>Ending fund balance</i>	<u>\$ 3,024,340</u>	<u>\$ 10,279,381</u>	<u>\$ 14,470,947</u>	<u>\$ 4,191,566</u>

See accompanying independent auditor's report

NEW MEXICO JUNIOR COLLEGE

**RESTRICTED - NON INSTRUCTION AND GENERAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ -	\$ -	\$ -	\$ -
<i>Restricted revenues:</i>				
Federal government contracts/grants	5,033,468	5,042,997	4,016,373	(1,026,624)
State government contracts/grants	167,837	159,500	516,579	357,079
Private grants	-	-	17,437	17,437
<i>Total restricted revenues</i>	<u>5,201,305</u>	<u>5,202,497</u>	<u>4,550,389</u>	<u>(652,108)</u>
<i>Restricted expenditures:</i>				
Public Service	167,837	159,500	159,125	375
Student aid, grants and stipends	5,033,468	5,042,997	4,369,110	673,887
Private grants	-	-	17,437	(17,437)
<i>Total restricted expenditures</i>	<u>5,201,305</u>	<u>5,202,497</u>	<u>4,545,672</u>	<u>656,825</u>
<i>Net transfers</i>	-	-	(4,717)	(4,717)
<i>Change in fund balance (budgetary basis)</i>	-	-	-	-
<i>Ending fund balance</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report

NEW MEXICO JUNIOR COLLEGE

UNRESTRICTED - INSTRUCTION AND GENERAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ 960,282	\$ 2,205,806	\$ 2,205,806	\$ -
Prior period restatement	-	-	876,131	876,131
<i>Beginning fund balance, as restated</i>	<u>960,282</u>	<u>2,205,806</u>	<u>3,081,937</u>	<u>876,131</u>
<i>Unrestricted revenues:</i>				
Tuition and fees	3,684,200	3,709,533	3,789,592	80,059
State government appropriations	5,933,300	5,933,300	6,067,965	134,665
Local government appropriations	11,910,000	18,869,413	21,868,085	2,998,672
Federal grants and contracts	62,000	62,000	44,600	(17,400)
Other	318,161	754,137	998,310	244,173
<i>Total unrestricted revenues</i>	<u>21,907,661</u>	<u>29,328,383</u>	<u>32,768,552</u>	<u>3,440,169</u>
<i>Unrestricted expenditures:</i>				
Instruction	9,106,822	10,385,270	9,762,870	622,400
Academic support	2,259,588	2,351,773	2,301,402	50,371
Student services	1,823,694	1,907,090	1,778,471	128,619
Institutional support	3,337,419	4,484,157	4,392,509	91,648
Operation and maintenance of plant	3,288,327	3,784,460	3,826,492	(42,032)
<i>Total unrestricted expenditures</i>	<u>19,815,850</u>	<u>22,912,750</u>	<u>22,061,744</u>	<u>851,006</u>
<i>Net transfers</i>	<u>(2,248,288)</u>	<u>(7,201,760)</u>	<u>(10,630,491)</u>	<u>(3,428,731)</u>
<i>Change in fund balance (budgetary basis)</i>	<u>(156,477)</u>	<u>(786,127)</u>	<u>76,317</u>	<u>862,444</u>
<i>Ending fund balance</i>	<u>\$ 803,805</u>	<u>\$ 1,419,679</u>	<u>\$ 3,158,254</u>	<u>\$ 1,738,575</u>

See accompanying independent auditor's report

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NEW MEXICO JUNIOR COLLEGE

RESTRICTED - INSTRUCTION AND GENERAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Beginning fund balance</i>	\$ -	\$ -	\$ -	\$ -
<i>Restricted revenues:</i>				
Federal government contracts/grants	785,538	737,195	575,252	(161,943)
State government contracts/grants	226,085	261,164	154,202	(106,962)
Private grants	-	-	-	-
<i>Total restricted revenues</i>	<u>1,011,623</u>	<u>998,359</u>	<u>729,454</u>	<u>(268,905)</u>
<i>Restricted expenditures:</i>				
Instruction	269,690	316,341	176,650	139,691
Academic support	23,670	23,670	-	23,670
Student services	700,158	640,243	552,804	87,439
Institutional support	15,842	15,842	-	15,842
Operations and maintenance of plant	2,263	2,263	-	2,263
<i>Total restricted expenditures</i>	<u>1,011,623</u>	<u>998,359</u>	<u>729,454</u>	<u>268,905</u>
<i>Net transfers</i>	-	-	-	-
<i>Change in fund balance (budgetary basis)</i>	-	-	-	-
<i>Ending fund balance</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report

NEW MEXICO JUNIOR COLLEGE

AGENCY FUNDS

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

Year ended June 30, 2014

	<u>June 30, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2014</u>
Athletic Summer School	\$ -	\$ 65	\$ 40	\$ 25
Baseball Booster Club	19,192	29,372	44,464	4,100
Pam Bickerton Family Scholarship	1,133	-	702	431
Cheerleaders	1,989	-	-	1,989
Athletic Training	389	88	176	301
Golf Booster Club	21,406	31,818	32,927	20,296
Basketball Tournaments	8,475	-	4,736	3,739
Men's Basketball	3,895	13,958	11,142	6,711
Women's Cross Country	1,109	438	875	672
Rodeo Club	13,095	5,848	6,848	12,095
Women's Basketball	18,331	10,221	13,515	15,037
AMP Club	180	-	-	180
ASSET Student Recognition	1,185	3,004	2,342	1,847
Automotive Competition	111	6,111	6,222	-
Backpacking & Camping	271	-	-	271
Burke Poetry Contest	444	-	-	444
Campus Ambassadors	1,369	75	139	1,305
College Democrats	316	-	-	316
Career Connections/Communications	299	-	-	299
Cosmetology Students	9,179	36,675	41,697	4,157
College Republicans	604	119	228	495
Drama Club	3,423	1,585	-	5,008
Emergency Services Law Camp	1,762	-	-	1,762
Faculty Senate	881	2,781	2,500	1,162
FFA	3,406	-	-	3,406
Fellowship of Christian Athletes	413	-	110	302
FCA Special Events	108	-	-	108
Ford ASSET Helping Hand	400	-	-	400
Geology Club	605	-	-	605
Healthy Active Lifestyle Challenge	94	-	-	94
GM ASEP Student Recognition	606	-	-	606
Law Enforcement Guest Speakers	1,000	125	249	876
Moran Lecture Series	5,229	8,000	3,375	9,855
NJCAA Division I Golf Association	43	-	-	43
NMJC Band Club	5,475	1,555	2,600	4,430
NMJC Sensations	4,623	-	-	4,623
NMJC Social Committee	5,624	4,517	1,262	8,879
Nature Trail Sculptures	7,887	850	2,352	6,385
NM Education Service Center	26,115	-	-	26,115
Phi Beta Lambda-NMJC	239	-	-	239
MU Alpha Theta	948	2,049	2,025	972
Phi Theta Kappa	4,750	6,173	6,494	4,428
Library Contest	100	-	-	100
Public Safety Account	-	-	-	-
Rope Climbing and Rappelling Club	635	-	-	635
Short Go Bible Study	103	1,350	1,397	56
Sigma Kappa Delta	-	100	-	100
Student Nurses Association	3	-	-	3
Support and Maintenance Council	1,478	1,046	1,031	1,492
Thunderbird Booster Club	1,000	18,844	19,826	18
Talent Search	10	-	-	10
VICA Postsec Automotive	74	-	-	74
VICA Postsec Cosmetology	-	-	-	-
NMJC Skills USA-High School	2,359	20,705	19,408	3,656

See accompanying independent auditor's report

Schedule I

	<u>June 30, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2014</u>
Prepaid Tuition Agreement	25,822	1,796	1,461	26,157
SBDC Program Services	21,728	6,942	-	28,670
Student Support Services-SSS	751	83	165	669
NMJC Research Foundation	8,078	-	-	8,078
Upward Bound	8,223	3,182	657	10,748
Western Heritage Donations	22,543	10,901	21,765	11,678
Western Heritage Museum Memorial	-	963	175	788
Western Heritage Archaeological	544	105	-	649
Western Heritage Museum Membership	2,009	21,315	17,159	6,165
WHM Special Events	13,923	116,528	90,017	40,435
WHM Centennial	8,730	516	631	8,615
WHM Archaeological Memorial	552	-	-	552
WHM Publications Endowment	93	-	-	96
WHM Mammoth Fund Raiser	1,300	-	-	1,300
WhM Discretionary Fund	476	2,904	3,060	320
Total agency fund cash	<u>\$ 297,136</u>	<u>\$ 372,705</u>	<u>\$ 363,772</u>	<u>\$ 306,069</u>
Accounts Receivable	970	145	338	777
Less: Accounts Payable	<u>5,290</u>	<u>11,810</u>	<u>2,728</u>	<u>14,372</u>
Due to student organizations	<u>\$ 292,816</u>	<u>\$ 361,040</u>	<u>\$ 361,382</u>	<u>\$ 292,474</u>

NEW MEXICO JUNIOR COLLEGE
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
June 30, 2014

<u>Account Name</u>	<u>Type</u>	<u>Western Commerce Bank</u>	<u>New MexiGROW LGIP</u>	<u>New Mexico Finance Authority</u>
NMJC	Checking	\$ 25,025	\$ -	\$ -
Instructional and general	Checking	-	-	-
Instructional and general	Overnight Repurchase	-	-	-
NMFA program funds	Mutual fund	-	-	202,467
NMFA debt service reserve	State Treasurer	-	-	360,837
NMJC money market	Deposit	-	-	-
Student loan fund	Checking	-	-	-
Pell federal account	Checking	-	-	-
Payroll dep account	Checking	-	-	-
Agency account	Time Deposit	-	-	-
NMJC	Short-Term Investment	-	9,589,592	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	Cash Fund	-	-	-
NMJC Foundation	CD	-	-	-
NMJC Foundation	Savings	-	-	-
NMJC Foundation	Checking	-	-	-
Amounts on deposit		25,025	9,589,592	563,304
Outstanding items		-	-	-
		<u>\$ 25,025</u>	<u>\$ 9,589,592</u>	<u>\$ 563,304</u>

See accompanying independent auditor's report

Lea County State Bank	Bank of America	Wells Fargo Bank	Total	Component Unit			Total
				Merrill Lynch	Wells Fargo Bank	First American	
\$ -	\$ -	\$ -	\$ 25,025	\$ -	\$ -	\$ -	\$ -
-	-	2,005,767	2,005,767	-	-	-	-
-	-	2,240,560	2,240,560	-	-	-	-
-	-	-	202,467	-	-	-	-
-	-	-	360,837	-	-	-	-
32,538	-	-	32,538	-	-	-	-
-	25,905	-	25,905	-	-	-	-
235,796	-	-	235,796	-	-	-	-
-	27,868	-	27,868	-	-	-	-
-	-	328,876	328,876	-	-	-	-
-	-	-	9,589,592	-	-	-	-
-	-	-	-	181,891	-	-	181,891
-	-	-	-	74,901	-	-	74,901
-	-	-	-	10,016	-	-	10,016
-	-	-	-	50,315	-	-	50,315
-	-	-	-	6,359	-	189,035	195,394
-	-	-	-	-	100,464	-	100,464
-	-	-	-	-	67,070	-	67,070
268,334	53,773	4,575,203	15,075,231	323,482	167,534	189,035	680,051
(3,979)	(22,712)	(210,635)	(237,326)	-	(25,433)	258	(25,175)
<u>\$ 264,355</u>	<u>\$ 31,061</u>	<u>\$ 4,364,568</u>	<u>14,837,905</u>	<u>\$ 323,482</u>	<u>\$ 142,101</u>	<u>\$ 189,293</u>	<u>654,876</u>
		Petty cash	<u>4,236</u>				<u>30</u>
			<u>\$ 14,842,141</u>				<u>\$ 654,906</u>
Reconciliation to the Financial Statements:							
		Cash and cash equivalents	\$ 4,383,175				\$ 654,906
		Restricted cash and cash equivalents:	563,304				-
		Short-term investment	<u>9,589,592</u>				<u>-</u>
			14,536,071				654,906
Statement of Fiduciary Assets and Liabilities:							
		Cash and cash equivalents	<u>306,070</u>				<u>-</u>
		Total deposits and investments	<u>\$ 14,842,141</u>				<u>\$ 654,906</u>

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NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY

Schedule III

June 30, 2014

Depository	Description of Pledged Collateral	Fair Market Value June 30, 2014	Name and Location of Safekeeper
Wells Fargo Bank			
	FNMA, Due 9/1/2043 CUSIP #3138W9PA2	\$ 971,105	Wells Fargo Bank Minneapolis, MN
	FNMA, Due 2/1/2043 CUSIP #6353977827	<u>2,285,371</u>	Wells Fargo Bank Minneapolis, MN
Total collateral on repurchase agreement deposits at Wells Fargo Bank		<u>3,256,476</u>	
Lea County State Bank			
	Roswell NM 3.45%, Due 8/1/2016	295,000	Lea County State Bank * Hobbs, NM
	Gasden NM ISD, Due 8/15/2018	975,000	* Hobbs, NM Lea County State Bank
	Los Alamos PSD, Due 8/1/2018	<u>500,000</u>	* Hobbs, NM Lea County State Bank
Total Lea County State Bank		<u>1,770,000</u>	
Bank of America			
	FNCL Pool AO0758, Due 04/01/2042 CUSIP #3138LQZY3	<u>286,041</u>	Federal Reserve Bank Richmond, VA
Total Bank of America		<u>286,041</u>	
		<u>\$ 5,312,517</u>	

* As per NMAC 2.2.2.10 (N)(4), the value of collateral consisting of obligations of the State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions shall be par value.

See accompanying independent auditor's report



Accounting & Consulting Group, LLP

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
New Mexico Junior College Board
New Mexico Junior College
Hobbs, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of New Mexico Junior College (the College), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise New Mexico Junior College's basic financial statements, and the budgetary comparisons presented as supplementary information, and have issued our report thereon dated November 13, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did not consider any of the deficiencies described in the accompanying schedule of finding and questioned costs to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 2014-001 and FS 2014-002.

The College's Responses to Findings

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

Purpose of this Report

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

Accounting + Consulting Group, LLP

Accounting and Consulting Group, LLP
Albuquerque, NM
November 13, 2014



Accounting & Consulting Group_{LLP}
Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
New Mexico Junior College Board
New Mexico Junior College
Hobbs, New Mexico

Report on Compliance for Each Major Federal Program

We have audited New Mexico Junior College's (the College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the College's major federal programs for the year ended June 30, 2014. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on TRIO Cluster-Upward Bound

As described in the accompanying schedule of findings and questioned costs, the College did not comply with requirements regarding CFDA 84.047 Trio Cluster-Upward Bound Program as described in finding number FA 2014-001 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to that program.

Qualified Opinion on TRIO Cluster-Upward Bound

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 Trio Cluster-Upward Bound program for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the College, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FA 2014-001 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FA 2014-002 and FA 2014-003 to be significant deficiencies.

The College's response to the internal control over compliance findings 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
November 13, 2014

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Schedule IV

Year ended June 30, 2014

	<u>Federal CFDA Number</u>	<u>Program or Grantor Number</u>	<u>Federal Expenditures</u>
US Department of Education			
Direct programs:			
Student financial assistance cluster: *			
Federal Pell Grant program (1)	84.063	42310	\$ 2,790,068
Federal SEOG program (1)	84.007	42325	37,043
Federal work study program (1)	84.033	42511	35,433
TRIO cluster: *			
TRIO-Student support services (2)	84.042A	41131	260,831
TRIO-Upward bound (2)	84.047A	41133	247,879
US Nuclear Regulatory Commission			
US NRC Scholarships	77.006	41142	20,021
US Department of Labor Employment & Training Administration			
TAACCCT Grant	17.282	41151	13,552
Passed through New Mexico			
Public Education Department:			
Carl Perkins vocational support services	84.048	41314	10,521
Adult Basic Education Federal	84.002	41310	<u>22,448</u>
Total US Department of Education			<u>3,437,796</u>
US Small Business Administration			
Passed through New Mexico			
Public Education Department:			
Small Business Development Center	59.037	41220	<u>20,689</u>
Total expenditures of federal awards			<u><u>\$ 3,458,485</u></u>

* Tested as major program

() Denotes cluster

Federal Direct loans advanced to students in fiscal year 2014 were not included on this schedule.

See accompanying independent auditor's report
See accompanying notes to the schedule of expenditures of federal awards

NEW MEXICO JUNIOR COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2014

NOTE 1 Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as unearned revenues until earned.

NOTE 2 The period of availability for federal funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provision in Section H-Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement.

NOTE 3 This schedule was prepared on the accrual basis of accounting.

NOTE 4 New Mexico Junior College is not a direct participant in federally funded student loan programs where it enables them to track outstanding balances of the loans.

NOTE 5 Federal Direct loans advanced to students in fiscal year 2014 totaled \$1,150,028.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

A. SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements? | No |

Federal Awards:

- | | |
|---|-----------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2. Type of auditors' report issued on compliance for major programs | Qualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes |
| 3. Identification of major programs: | |

CFDA Number(s)

Federal Program

84.063
84.007
84.033

Student Financial Assistance Cluster
Federal PELL Grant program
Federal SEOG program
Federal Work Study program

84.042A
84.047A

TRIO Cluster
TRIO-Student Support Services
TRIO-Upward Bound

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 6. Auditee qualified as low-risk auditee? | No |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

B. FINDINGS—FINANCIAL STATEMENT AUDIT

FS 2014-001 Internal Control over Fuel Cards (Other Matter)

Condition: The College did not have adequate controls in place over reviewing fuel card transactions. For 2 fuel transactions tested totaling \$87.77 (based on the invoice) the supporting receipts indicated a total of \$86.99.

Criteria: Sound internal control practices include the reviewing and reconciling of purchases. Reconciliation activities confirm that you are paying for approved purchases and are being billed correctly. Performing monthly ledger reconciliations will help to catch improper charges and validate transactions.

Effect: The College has been overpaying invoices related to this fuel card vendor since June of 2013.

Cause: The current fuel card vendor acquired the previous fuel card vendor in June of 2013. The previous fuel card vendor charged an additional fee of \$.03 per gallon if the College fueled at locations that were not affiliated with the previous fuel card vendor. The College's staff did not question the additional charges included on the invoice, until it was questioned by the auditor.

Auditors' Recommendation: It is recommended that management ensure all receipts are kept and matched to invoices. If any discrepancies arise management should contact the vendor before the invoice is paid to resolve the issues.

College's Response: Management agrees that the College must have adequate controls in place in reviewing fuel card transactions. In this case the fuel card vendor had been charging a .03 cent per gallon fee since 2007, if the College fueled at locations that were not affiliated with the previous fuel card vendor. The fuel card vendor changed ownership in June of 2013. Staff did not question the new vendor as they continuing to impose the .03 cent per gallon fee. After this was in question, staff contacted the new vendor and requested and received a reimbursement for the fee that they were no longer charging.

FS 2014-002 Formal Presentation of Chief Procurement Officer Information to Central Purchasing Office (Other Matter)

Condition: The College did not formally communicate the name of its Chief Procurement Officer to the Central Purchasing Office by January 1, 2014

Criteria: SB 443 says on or before January 1 of each year beginning in 2014, and every time a chief procurement officer is hired, each state agency and local public body shall provide to the state purchasing agent the name of the chief procurement officer and information identifying the College's central purchasing office.

Effect: The Central Purchasing Office does not have a contact listed for the College.

Cause: The College's staff did not inform the Central Purchasing Office about its Chief Procurement Officer.

Auditors' Recommendation: It is recommended that the Chief Procurement Officer formally communicate to the Central Purchasing Office the information for the College's Chief Procurement Officer.

College's Response: Management corrected this deficiency during the audit and the College's Procurement Officer has been identified with the Central Purchasing Office.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

FA 2014-001 - TRIO Cluster – Payroll Distribution Reports (Material Weakness, Material Non-Compliance)

Federal Program information:

Title:	TRIO Cluster-Upward Bound Program
Funding Agency:	U.S. Department of Education
Pass Through:	None
CFDA Number:	84.047
Award Year and Number:	P047A120083-13
Questioned Cost:	\$93,181

Condition: For 2 employees whose salaries were charged to the Upward Bound program, the employees were in professional full-time positions and did not document their distribution of salaries and wages with supporting after-the-fact activity records.

Criteria: The College must adhere to Appendix A of 2 CFR Part 220 Cost Principles for Educational Institutions (OMB Circular A-21), which indicates that payroll costs charged to federal programs must be supported by records that recognize the principle of after-the-fact confirmation or determination of amounts charged.

Effect: New Mexico Junior College was not in compliance with two CFR part 220, Cost Principles for Educational Institutions (OMB Circular A-21) which could result in the loss of funding.

Cause: The program director was unaware of the requirements for staff to certify time and effort directly related to the Upward Bound program in after-the-fact activity records.

Auditors' Recommendation: It is recommended that the College implement procedures that require the staff to certify after-the-fact activity distribution of time and effort related to the Upward Bound program in compliance with Appendix A of 2 CFR Part 220 Cost Principles for Educational Institutions (OMB Circular A-21).

College's Response: Management agrees that all the activities of the two professional staff must document for time and effort. A new director of the Upward Bound grant has been employed for fiscal year 2015. The new Director has already put in place time and effort forms and participation forms that will address this deficiency.

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

FA 2014-002 TRIO Cluster - Unsupported and/or Unallowed Costs (Significant Deficiency and Noncompliance)

Federal Program information:

Title: TRIO Cluster-Upward Bound Program
Funding Agency: U.S. Department of Education
Pass Through: None
CFDA Number: 84.047
Award Year and Number: P047A120083-13
Questioned Cost: \$104.57

Condition: During our testwork of expenses, we noted the following:

- For 2 of 25 sample items tested, the expenses were not allowable or reasonable per review of the grant requirements. The total amount of the expenses was \$105.
- For 1 of 25 sample items tested, the expense was not approved using a Purchase Order. The total amount of the expenses was \$1,590.

Criteria: The College must adhere to 2 CFR part 220, Cost Principles for Educational Institutions (OMB Circular A-21) which indicates to be an allowable expense under the federal awards, costs must be supported by appropriate documentation, such as approved purchase orders, receiving reports, vendor invoices, cancelled checks, and time and attendance records, and correctly charged as to account, amount, and period. In addition, the College must have internal controls to ensure expenses from grant funds are properly supported in order to demonstrate compliance with OMB Circular A-133 and the grant agreement.

Effect: NMJC was not in compliance with 2 CFR part 220, Cost Principles for Educational Institutions (OMB Circular A-21) which could result in the loss of funding. In addition, proper internal controls were not in place; therefore, expenses were made from federal grant funds that were unallowable and/or unsupported.

Cause: Due to turnover of NMJC's staff in the Upward Bound program, it is unknown why the detailed supporting documentation was not maintained for the expenses.

Auditors' Recommendation: Management should consider providing training opportunities for personnel responsible for grant funds to ensure awareness and compliance with grant requirements and the College's policies and procedures.

College's Response: Management agrees that all purchases must follow OMB Circular A-21 and A-133. The Upward Bound grant has a new Director in place for fiscal year 2015 and the new Director has established purchase and request forms to control unauthorized purchases. Item two concerning the expense that did not use a purchase order was to the institution's bookstore, the policy at the College does not require a purchase order for purchases at the bookstore. Internal department charges are posted to the various departments and grants through the SCT Banner software system internal feed.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

FA 2014-003 TRIO Cluster – Performance Reporting (Significant Deficiency)

Federal Program information:

Title: TRIO Cluster-Student Support Services Program
Funding Agency: U.S. Department of Education
Pass Through: None
CFDA Number: 84.042
Award Year and Number: P042A100007-12
Questioned Cost: None

Condition: We noted that for one out of nineteen participants selected from the Student Support Services Annual Performance Report (APR), that the participant's academic standing was incorrectly reported as a 2.000 grade point average (GPA). The student's academic standing should have been reported as a 9.999 to indicate the student as a new participant who did not earn college credits; however, program personnel input a mid-term grade (GPA) that was for transitional (no credit) remedial courses in the summer. Based on further review, all new participants were reported with an incorrect academic standing. The total misreported students was 15. The APR was reviewed and approved by management; however, the misclassification was not identified during the internal review.

Criteria: Proper internal controls over compliance and compliance requirements for the TRIO Cluster require that program staff review and approve reports and ensure the accuracy of key line item information as required in the annual performance reports (OMB No. 1840-0525).

Effect: The College is not reporting accurate information, which could result in a future loss of funding.

Cause: The program management was not using 9.999 for new participants who had not yet earned GPAs in credit courses as described in the APR instructions when classifying participants to complete the data entry for the annual performance reporting requirements.

Auditors' Recommendation: Management should establish a more detailed review to ensure participants are correctly classified in the Annual Performance Report prior to submission to the U.S. Department of Education.

College's Response: Management agrees that proper reporting is essential in the compliance requirements as required by (OMB No. 1840-0525). The Director for the Student Support Services acknowledges the using of 9.999 for new participant who has not earned college credits is the correct procedure. This had not been a problem in the past because the report had not been due until February. After the first participant had been noted to have the incorrect grade point, the Director self-reported to the auditors the other 14 participants during her review of the report. This error has been identified and corrected.

NEW MEXICO JUNIOR COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

E. PRIOR YEAR FINDINGS

- FS 2013-001: IPA Recommendation Form and Contract – Other Matter
Resolved and not repeated.
- FS 2013-002: Per Diem Mileage Reimbursement – Other Matter
Resolved and not repeated.
- FS 2013-003: Procurement – Other Matter
Resolved and not repeated.
- FS 2013-004: Fixed Asset Observation Board Certification and Disposals – Significant Deficiency
Resolved and not repeated.
- FS 2013-005: Miscounts during inventory observation – Significant Deficiency
Resolved and not repeated.
- FS 2013-006: Vacation time not being recorded by HR – Significant Deficiency
Resolved and not repeated.

NEW MEXICO JUNIOR COLLEGE

OTHER DISCLOSURES

JUNE 30, 2014

FINANCIAL STATEMENT PREPARATION

The financial statements were prepared from the original books and records and with the assistance of the management of New Mexico Junior College as of June 30, 2014 by Accounting and Consulting Group, LLP.

EXIT CONFERENCE

The contents of this report and its schedules related to the component unit were discussed on November 13, 2014. The following persons were in attendance:

Foundation Officials

Dan Hardin, Foundation Treasurer
Tina Kunko, Foundation Accountant/Controller

College Officials

Pat Chappelle, Board Chairman
Dr. Steve McCleery, President
Dan Hardin, Vice-President for Finance
Josh Morgan, Accountant/Comptroller
Larry Sanderson, Director of Institutional Effectiveness

Office of the New Mexico State Auditor

Sara Specht
Melissa Spangler

Accounting & Consulting Group, LLP

Cindy Bryan, Partner
Paul Garcia, Senior In-Charge

RESOLUTION
OF THE NEW MEXICO JUNIOR COLLEGE BOARD

This Resolution is adopted this 15 day of January, 2015 by the New Mexico Junior College Board at a duly called Board meeting, in accordance with the Open Meetings Act.

WHEREAS, on December 18, 2014 the New Mexico Junior College Board approved a Memorandum of Understanding with Lea County to convey 12.36 acres of land to Lea County, to provide three million dollars (\$3,000,000.00) for the construction of an Equestrian Center, and provide a connection to the New Mexico Junior College Central Plant for heating and cooling of the proposed Equestrian Center (“MOU”); and

WHEREAS, the MOU has been submitted to the State Board of Finance for approval of the land transfer to Lea County and is scheduled to be heard at the Board’s January 21, 2015 meeting; and

WHEREAS, staff and legal counsel of the State Board of Finance have been made recommendations to revise the Memorandum of Understanding; and

WHEREAS, the MOU appended hereto has been revised as suggested or required by the staff of the State Board of Finance, but it is subject to additional revisions that may be required by counsel for the State Board of Finance or by the members of the State Board of Finance at the January 21, 2015 meeting.

NOW THEREFORE BE IT RESOLVED by the New Mexico Junior College Board (“Board”) as follows:

1. Approval of the State Board of Finance is required to convey the real property described above to Lea County, pursuant to Section 13.6.2.1 NMSA. The Board determines that is necessary, and in the best interest of the College, to make changes and modifications to the Memorandum of Understanding between New Mexico Junior College and Lea County as may be required or suggested by the State Board of Finance, its staff or counsel.
2. The New Mexico Junior College President (“President) is hereby directed to work with Lea County and the College’s legal counsel to modify the Memorandum of Understanding, including the form of Quitclaim Deed attached as an exhibit thereto, to meet the requirements of the State Board of Finance, its staff and legal counsel.
3. Following receipt of approval from the State Board of Finance:
 - i. The President is hereby authorized, and the Board expressly delegates to the President the authority to, execute and deliver on behalf of the Board the Memorandum of Understanding in substantially the form appended hereto with such changes as the President may determine are necessary or appropriate, which determination shall be conclusively evidenced by his execution thereof, provided that the final form of the Memorandum of Understanding is approved by the College’s legal counsel; and
 - ii. The President is hereby authorized, and the Board expressly delegates to the President the authority to, execute and deliver on behalf of the Board the Quitclaim Deed conveying the 12.36 acres to Lea County, substantially in the form attached as Exhibit C to the Memorandum

of Understanding appended hereto, provided that the final form of Quitclaim Deed is approved by the College's legal counsel.

ADOPTED THIS 15th day of January 2015 by the New Mexico Junior College Board

BOARD MEMBERS VOTING FOR
RESOLUTION

BOARD MEMBERS VOTING AGAINST
RESOLUTION

Pat Chappelle, Board Chairman

Ron Black, Secretary

Travis Glenn, Member

BOARD MEMBERS ABSTAINING FROM
VOTING ON RESOLUTION

Manny Gomez, Member

Hector Baeza, Member

Zeak Williams, Member

Mary Lou Vinson, Member

Approved as to form

By _____
New Mexico Junior College Attorney

Date: _____

New Mexico Junior College Board

By: _____

Name: _____

Title: _____

Date: _____

Attest: _____

Board Secretary

Date: _____

TO: NMJC Board
Dr. Steve McCleery

FROM: Jeff McCool, Dean of Training & Outreach
Jai Oyler, Director of TAACCCT Grant Program

DATE: January 7, 2015

RE: Equipment Purchase for TAACCCT Grant Program of Training

We request approval from the Board to purchase the equipment listed on the attached price quote for the Instrumentation & Control Training that is being developed under the TAACCCT Grant. The vendor for this purchase is Advanced Technology Consultants, Inc., and the brand of equipment is Labvolt. We have chosen Labvolt because we currently have Labvolt equipment in the Energy Technology Program. This will allow us to leverage the existing equipment. It can all be connected for additional training options. The funding source for this purchase is the TAACCCT Grant from the U.S. Department of Labor.

The purchase price for the system is \$539,297.00. This purchase meets the sole source procurement guidelines because we are matching equipment previously purchased by NMJC. This purchase, as required, was posted on the state sole-source purchasing website for 30 days and we have received the approval to proceed. The Department of Labor has also approved this purchase.

Thank you for your consideration.