



Northern New Mexico College

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2022

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Introductory Section



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Northern New Mexico College
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June 30, 2022**

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**State of New Mexico
Northern New Mexico College
Official Roster
June 30, 2022**

<u>Name</u>	<u>Title</u>
BOARD OF REGENTS	
The Honorable Michelle Lujan Grisham	Ex Officio Member, Governor of the State of New Mexico
Arsenio Romero, PhD	Ex Officio Member, Cabinet Secretary, Public Education Department of NM
Michael A. Martin	President
Erica Rita Velarde, P.E.	Vice President
Porter Swentzell, Ph.D.	Secretary/Treasurer
Ruben Archuleta	Member
Maria Evelyn Juarez	Member
ADMINISTRATIVE OFFICIALS	
Barbara M. Medina, Ph.D.	Interim President
C. Vince Lithgow, MBA, CGFM	Vice President for Finance and Administration
Ivan Lopez, Ph.D.	Vice President for Academic Affiar, Provost
Amy Pena	Executive Assistant to the President/Board Secretary
Sally Martinez	Executive Assistant to the Provost

**State of New Mexico
Northern New Mexico College
Official Roster
June 30, 2022**

<u>Name</u>	<u>Title</u>
FOUNDATION BOARD MEMBERS	
Alfred Herrera	President
Tania Sanchez	Vice President/Secretary/Treasurer
James Owen	Member
Barbara M. Medina, Ph.D.	Ex Officio Member
C. Vince Lithgow, MBA, CGFM	Ex Officio Member

ADMINISTRATIVE OFFICIALS

Vacant	Executive Director
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EAGLE CORPORATION BOARD MEMBERS

Erica Rita Velarde, P.E.	President
Julianna Barbee	Vice President
C. Vince Lithgow, MBA, CGFM	Treasurer
Barbara M. Medina, Ph.D.	Secretary
Kathy Keith	Member

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Financial Section





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INDEPENDENT AUDITORS' REPORT

Joseph Maestas, P.E.
New Mexico State Auditor
U.S. Office of Management and Budget
Northern New Mexico College Board of Regents
Northern New Mexico College
Española, New Mexico

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and aggregate remaining fund information of the Northern New Mexico College (the "College"), as of and for the year ended June 30, 2022, 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 schedules presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2022, as listed in the table of contents.

Qualified Opinion on the Business-type Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, the discretely presented component unit, and aggregate remaining fund information of the College, as of June 30, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on Discretely Presented Component Unit and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit and aggregate remaining fund information of the College as of June 30, 2022, and the respective changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, the budgetary schedules of the College referred to above present fairly, in all material respects, the respective budgetary schedules for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion on the Capital Assets

We were unable to verify sufficient appropriate audit evidence regarding the amount of historical capital assets as well as related accumulated depreciation and depreciation expense. The amount by which this departure would affect the assets, net investment in capital assets (net position), accumulated depreciation, and depreciation expense of the business-type activities has not been determined.

Emphasis of Matter

Reporting Entity

As discussed in Note 1, the financial statements of the College are intended to present the net position, changes in net position and cash flows, where applicable, of only that portion of the State of New Mexico that is attributable to the transactions of the College and its discretely presented component unit. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2022, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note 2 to the financial statements, the prior year statements have been restated in the amount of \$818,116 for lease receivable and deferred inflows – leases and \$107,582 for right-to-use lease assets, net and lease liability in the business-type activities related to the implementation of GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the GASB required pension schedules, the GASB required other post-employment benefits schedules, and the notes to the required supplementary information on pages 72 through 78 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplementary information, excluding the budgetary schedules, as listed in the table of contents, and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, excluding the budgetary schedules, as listed in the table of contents, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and other disclosures but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2023, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
March 21, 2023



Basic Financial Statements



**State of New Mexico
Northern New Mexico College
Statement of Net Position**

June 30, 2022	Primary Government	Northern New Mexico College Foundation
Assets		
Current assets		
Cash and cash equivalents	\$ 7,871,852	\$ 166,184
Restricted cash and cash equivalents	6,678	947,121
Receivables, net of allowances for uncollectibles		
Grants and contracts	1,991,298	-
Capital grants	56,864	-
Student, net	1,333,112	-
Leases	14,608	-
Mill levy	498,932	-
Oil and gas	93,731	-
Other	431,585	5,000
Due from component units	239,457	-
Due from custodial fund	864	-
Inventory	76,010	-
Prepaid expenses	13,749	-
Total current assets	12,628,740	1,118,305
Noncurrent assets		
Restricted endowment investments	-	3,768,894
Receivables		
Leases	787,244	-
Non-depreciable assets	15,207,766	-
Depreciable assets	67,904,773	-
Accumulated depreciation	(46,817,393)	-
Total noncurrent assets	37,082,390	3,768,894
Total assets	49,711,130	4,887,199
Deferred outflows of resources		
Deferred outflows - pension	16,510,166	-
Deferred outflows - OPEB	2,670,378	-
Total deferred outflows of resources	19,180,544	-
Total assets and deferred outflows of resources	\$ 68,891,674	\$ 4,887,199

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

June 30, 2022	Primary Government	Northern New Mexico College Foundation
Liabilities, deferred inflows of resources, and net position		
Liabilities		
Current liabilities		
Accounts payable	\$ 1,485,895	\$ -
Accrued expenses	1,009,436	-
Due to primary government	-	239,457
Unearned revenue	1,447,910	5,000
Long-term liabilities, current	559,389	-
Total current liabilities	4,502,630	244,457
Noncurrent liabilities		
Long-term liabilities, net of current portion	97,208	-
Net pension liability	20,241,096	-
Net OPEB liability	6,663,287	-
Total noncurrent liabilities	27,001,591	-
Total liabilities	31,504,221	244,457
Deferred inflows of resources		
Deferred inflows - pension	28,457,011	-
Deferred inflows - OPEB	3,732,593	-
Deferred inflows - leases	796,642	-
Total deferred inflows of resources	32,986,246	-
Net position		
Net investment in capital assets	36,105,161	-
Restricted for		
Endowments	-	4,716,015
Unrestricted (deficit)	(31,703,954)	(73,273)
Total net position	4,401,207	4,642,742
Total liabilities, deferred inflows of resources, and net position	\$ 68,891,674	\$ 4,887,199

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

State of New Mexico
Northern New Mexico College
Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2022	Primary Government	Northern New Mexico College Foundation
Operating revenues		
Student tuition, fees and trainings	\$ 3,485,528	\$ -
Federal grants and contracts	8,232,836	-
State and local grants and contracts	1,036,275	-
Other grants and contracts	622,939	-
Sales and services of auxiliary enterprises	261,453	-
Gifts, bequests and endowments	-	152,825
Other	135,444	-
Total operating revenues	13,774,475	152,825
Operating expenses		
Instruction and general		
Instruction	7,917,361	-
Institutional support	3,169,897	209,973
Student aid, grants, and stipends	5,408,270	-
Operation and maintenance of plant	2,756,841	-
Student services	2,961,731	-
Academic support	725,536	-
Athletics	536,482	-
Public service	417,653	-
Student activities	16,092	-
Research	121,775	-
Scholarships	-	125,160
Other	997	-
Auxiliary enterprises	439,054	-
Amortization	68,809	-
Depreciation	1,206,063	-
Total operating expenses	25,746,561	335,133
Operating (loss)	(11,972,086)	(182,308)

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

For the Year Ended June 30, 2022	Primary Government	Northern New Mexico College Foundation
Non-operating revenues (expenses)		
State general fund appropriations	\$ 12,109,800	\$ -
Mill levy	2,174,542	-
Oil and gas revenue	330,952	-
Land grant permanent fund income	155,875	-
State land income	355,643	-
Investment income (loss)	26,427	(362,801)
Dissolution of Corporation	997	-
Net non-operating revenues (expenses)	15,154,236	(362,801)
Income before capital appropriations	3,182,150	(545,109)
Capital appropriations	162,804	-
Change in net position	3,344,954	(545,109)
Net position, beginning of year	1,056,253	5,187,851
Net position, end of year	\$ 4,401,207	\$ 4,642,742

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

**State of New Mexico
Northern New Mexico College
Statement of Cash Flows**

For the year ended June 30, 2022	Primary Government
Cash flows from operating activities	
Tuition, fees and trainings	\$ 3,542,077
Grants and contracts	9,972,757
Sales and services of auxiliary enterprises	261,453
Other operating receipts	231,359
Payments for employee wages and benefits	(14,944,323)
Payments to suppliers for good and services	(10,014,379)
Net cash (used) by operating activities	(10,951,056)
Cash flows from noncapital financing activities	
State appropriations, non-capital	11,605,451
Mill levy revenue	2,167,067
Oil and gas revenue	284,718
Land grant permanent fund income	155,875
State land income	355,643
Net cash provided by noncapital financing activities	14,568,754
Cash flows from capital financing activities	
State appropriations, capital	105,940
Purchase of capital assets	(2,112,973)
Payments received from leases	16,264
Payments of leases	(91,049)
Net cash provided by capital financing activities	(2,081,818)
Cash flows from investing activities	
Interest received on investments	26,427
Net cash provided by investing activities	26,427
Net increase in cash and cash equivalents	1,562,307
Cash and cash equivalents - beginning of year	6,316,223
Cash and cash equivalents - end of year	\$ 7,878,530
Reconciliation of end of year cash and cash equivalents to statement of net position	
Cash and cash equivalents	\$ 7,871,852
Restricted cash and cash equivalents	6,678
Cash and cash equivalents, end of year	\$ 7,878,530

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

For the year ended June 30, 2022	Primary Government
Reconciliation of operating (loss) to net cash (used) by operating activities	
Operating (loss)	\$ (11,972,086)
Depreciation expense	1,206,063
Amortization expense	68,809
Noncash pension expense	693,042
Noncash OPEB benefit	(654,250)
Changes in assets, deferred outflows, liabilities, and deferred inflows	
Accounts receivable, net	
Grants and contracts	109,997
Student, net	56,549
Other	(233,553)
Due from component units	329,468
Deferred tax asset	2,303
Inventory	4,326
Prepaid expenses	1,330
Deferred outflows - subsequent contributions - pension	(111,507)
Deferred outflows - subsequent contributions - OPEB	(18,485)
Accounts payable	(426,600)
Accrued expenses	25,386
Income taxes payable	(2,303)
Compensated absences	(255)
Unearned revenues	(29,290)
Net cash (used) by operating activities	\$ (10,951,056)

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

**State of New Mexico
Northern New Mexico College
Statement of Fiduciary Net Position
Fiduciary Funds**

June 30, 2022	Custodial Fund
Assets	
Cash and cash equivalents	\$ -
Total assets	\$ -
Liabilities	
Due to the College	\$ 864
Total liabilities	864
Net position	
Restricted for Student organizations	(864)
Total net position	(864)
Total liabilities and net position	\$ -

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

**State of New Mexico
Northern New Mexico College
Statement of Changes in Fiduciary Net Position
Fiduciary Funds**

For the Year Ended June 30, 2022	Custodial Fund
Additions	
Miscellaneous income	\$ 1,928
Total additions	1,928
Deductions	
Student activities	8,738
Total deductions	8,738
Net (decrease) in fiduciary net position	(6,810)
Net position - beginning of year	5,946
Net position - end of year	\$ (864)

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

State of New Mexico
Northern New Mexico College
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The College offers degrees in biology, business administration, elementary education, engineering, environmental science, information technology, and nursing. The College’s main campus is located in Española, New Mexico, and its branch campus is located in El Rito, New Mexico.

This summary of significant accounting policies of the College is presented to assist in the understanding of the College’s financial statements. The financial statements and notes are the representation of College’s management who is responsible for their integrity and objectivity. The financial statements of the College have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities.

Reporting Entity

The College is part of the primary government of the State of New Mexico; however, these basic financial statements are intended to present the net position, changes in net position and cash flows, where applicable, of only that portion of the State of New Mexico that is attributable to the transactions of the College and its’ discretely presented component unit. They do not purport to and do not, present fairly the net position of the State of New Mexico as of June 30, 2022, and the changes in net position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 College and the statement of net position, statement of revenues, expenses, and changes in net position of its discretely presented component unit.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

In evaluating how to define the government for financial reporting purposes, the College has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, GASB Statement No. 80, and GASB Statement No. 90.

Blended component units, although legally separate entities, are in substance part of the College's operations. Each discretely presented component unit is reported in a separate column in the College's financial statements to emphasize that it is legally separate from the College.

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

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the College.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the College is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the College could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the College has two component units required to be reported under GASB Statements No. 14, No. 39, No. 61, No. 80, and No. 90.

Discretely Presented Component Unit

An agreement between the Northern New Mexico College Foundation (the "Foundation") and the College was entered into on March 12, 1997. This agreement formalizes the relationship between the Foundation and the College and establishes the sole purpose of the Foundation as raising supplementary funds for the College. The Foundation is a component unit of the College discretely presented and reported upon as a part of the basic financial statements of the College. Separately issued financial statements can be obtained by writing to the Northern New Mexico College Foundation at 921 Paseo de Oñate, Española, NM 87532.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Blended Component Unit

The Northern New Mexico College Eagle Corporation (the “Corporation”) was formed on June 15, 2020 pursuant to the University Research Park and Economic Development Act, NMSA 1978 Section 21-28-1, et. seq (the “Research Park Act”). The Corporation is operated exclusively for the benefit and support of, to perform the functions of, and carry out the purposes of the College. The Corporation is a blended component unit of the College presented and reported upon as a part of the basic financial statements of the College. Separately issued financial statements can be obtained by writing to the Northern New Mexico College Eagle Corporation at 921 Paseo de Oñate, Española, NM 87532.

The corporation fully ceased operations by June 30, 2022.

Basis of Accounting and 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 and the Corporation. The effect of internal activity between funds or groups has been eliminated from these financial statements.

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.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others that cannot be used to support the government’s own programs. The custodial fund is purely custodial and does not involve measurement of results of operations. The College’s fiduciary fund is used to account for the collection and payment of student clubs.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

Budgetary basis of accounting

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. 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.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash in banks with various financial institutions. 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.

Receivables and Payables

The College has the following types of receivables.

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

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

Lease receivables. Lease receivables are amounts leased to Companies for the utilization of solar panels and telecommunications.

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 oil and gas sales, 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.

Inventory

Inventories consist of items held for resale or exchange within the College. The bookstore inventory is valued at cost. The food service inventory is reported utilizing the average cost method.

Prepaid Expenses

Prepaid expenses include postage and bookstore refunds, which reflect costs applicable to future accounting periods and are recorded as prepaid items.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

Restricted Assets

Certain assets of the College are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Bustos memorial account – This account was established prior to the existence of the Foundation and is donor restricted.

Capital Assets

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

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. There was no interest expense capitalized by the College during the current fiscal year. No interest was included as part of the cost of capital assets under construction.

Capital assets of the College are depreciated using the straight line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Furniture, fixtures, and equipment	5 to 9
Library materials	10
Vehicles and heavy equipment	5

State of New Mexico
Northern New Mexico College
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

Right to Use Lease Assets

The College has recorded intangible right to use lease assets as a result of implementing GASB Statement No. 87. The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability. The right to use lease assets are amortized on a straight-line basis over the term of the related lease or useful life, whichever is shorter. See Note 7 for more information.

Deferred Outflows of Resources

In addition to assets, the statement of net position report a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until that time. The College has three types of items that qualify for reporting in this category related to reporting under GASB 68 and four types that related to reporting under GASB 75, which total \$16,510,166 and \$2,670,378, respectively, in the statement of net position. The amounts are further detailed in Note 11 and Note 12. These amounts are deferred and recognized as outflows of resources in future periods and will reduce the net pension liability and other post-employment benefit liability, respectively, in future periods.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College has four types of items present on the statement of net position that qualify for reporting in this category related to reporting under GASB 68 and four types that related to reporting under GASB 75. The deferred inflows of resources total \$28,457,011 and \$3,732,593, respectively, in the statement of net position, and are further detailed in Note 11 and Note 12. In addition, the College has deferred inflows of \$796,642 of rent revenue at June 30, 2022. This item is further detailed in Note 4. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

Unearned Revenues

Unearned revenue relates to student tuition, fees, and bookstore sales received during the current fiscal period for classes to be held in the following period. Revenue for each academic session is reported within the fiscal year during which the session is completed. Receipts for the summer session beginning in April and amounts charged to the accounts of students pre-registering for fall semester, are reported as unearned revenue in the accompanying financial statements.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

In addition, unearned revenues relate to 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.

Long-term Liabilities

Compensated Absences. The College recognizes the value to the institution and to its staff for providing them the opportunity of relaxation and recreation for an extended period during the course of their employment. Regular probationary full-time, regular part-time, and temporary full-time staff hired for six months or more earn annual leave. Annual leave is earned during actual time worked and during paid sick leave and annual leave, holidays and paid leaves of absence. Annual leave is not earned during unpaid absence. Regular part-time employees earn annual leave on a prorated basis. Full-time employees accrue eight hours of annual leave per pay period or 192 hours per year (24) days. New employees are encouraged not to use annual leave during their six-month probationary period.

All regular employee will be permitted to carry over accrued annual leave from one fiscal year to the next not to exceed a total of 192 hours or 24 days for exempt staff and 240 hours or 30 days for non-exempt employees. Leave in excess of those hours will be lost if not taken before June 30 of each year. Upon discharge or other termination of employment, staff members are paid for unused annual leave based on the employee's contracted hourly pay rate to a maximum of 192 hours for exempt staff or 24 days or 240 hours of 30 days for non-exempt employees.

According to College policy, conversion of sick leave accrual to cash is not permitted and no liability is recorded for non-vesting accumulating rights to receive sick leave.

Leases. The College has entered into agreements to lease certain office equipment and vehicles. Lease liabilities qualify as other than short-term leases under GASB Statement No. 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception or, for leases existing prior to the implementation year at the remaining terms of the agreements, using the facts and circumstances available at July 1, 2021. See Note 8 for more information.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (Continued)

Pension

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

Other Post-Employment Benefits (OPEB)

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

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. The College does not have any related debt associated with its investment in capital assets.

Restricted – Net position is reported as restricted when constraints placed on net position use are either (1) externally imposed by creditors, grantors, contributions or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

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.

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

State of New Mexico
Northern New Mexico College
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses

Operating revenue include activities that have the characteristics of exchange transaction, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services; (3) federal, state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans and other income.

Non-operating revenue include activities that have the characteristics of non-exchange transactions, such as (1) appropriations, (2) gifts, and (3) 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.

Mill Levy

Santa Fe County – Current year taxes are levied on November 1 and are payable in two equal installments on December 10th and May 10th. Mill levies attach as an unsubordinated enforceable lien on property as of January 1 of the assessment year. Taxes become delinquent 30 days after the due dates unless the original levy date has been formally extended. The mill levy is collected by the respective County Treasurers and is remitted to the College.

Rio Arriba County - Current year taxes are levied on November 1 and are payable in two equal installments on November 10th and April 10th. Mill levies attach as an unsubordinated enforceable lien on property as of January 1 of the assessment year. Taxes become delinquent on May 10th after the due dates unless the original levy date has been formally extended. The mill levy is collected by the respective County Treasurers and is remitted to the College.

Taos County - Current year taxes are levied on November 1 and are payable in two equal installments on November 10th and April 10th. Mill levies attach as an unsubordinated enforceable lien on property 30 days after the due dates unless the original levy date has been formally extended. The mill levy is collected by the respective County Treasurers and is remitted to the College.

Tax Abatements

The College does not have any tax abatements at June 30, 2022.

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.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ significantly from those estimates. Significant estimates for the College are management's estimate of depreciation on assets over their estimated useful lives, net pension liability, net OPEB liability, pension and OPEB related deferred inflows and outflows of resources, and the current portion of accrued compensated absences.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 20, 2023. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Recently Issued and Implemented Accounting Pronouncements

During the fiscal year ended June 30, 2022, the College adopted GASB Statement No. 87, *Leases*, GASB Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, GASB Statement No. 92, *Omnibus 2020*, GASB Statement No. 93, *Replacement of Interbank Offered Rates*, and GASB Statement No. 98, *The Annual Comprehensive Financial Report*. The implementation of GASB Statement No. 87 is the only statement that had a significant impact on the College. See Note 2 for information.

State of New Mexico
Northern New Mexico College
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

In May 2022, GASB issued Statement No. 99, Omnibus 2022. The requirements of this Statement establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP) (formerly, food stamps), nonmonetary transactions, pledges of future revenues, the focus of government-wide financial statements, and terminology. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections. The requirements of this Statement will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

In June 2022, GASB issued Statement No. 101, Compensated Absences. The requirements of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

The College is evaluating the requirements of the above statements and the impact on reporting.

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year 2022, the College implemented GASB Statement No. 87, *Leases*. The College was required to reclassify all leases in which they are the lessor and lessee as assets and liabilities as of July 1, 2021. See the next page related to the amounts.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE (Continued)

	Balance July 1, 2021 (As restated)
Lease receivable	\$ 818,116
Right to use lease assets, net	107,582
Total assets	\$ 925,698
Long-term liabilities	
Lease liability	\$ 107,582
Total long-term liabilities	\$ 107,582
Deferred inflows - leases	\$ 818,116
Total deferred inflows of resources	\$ 818,116

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

State statutes authorize the investment of College funds in a wide variety of instrument, 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, 2022.

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.

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. All of the College's accounts at an insured depository institution, including non-interest bearing accounts are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Deposits (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. The College does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2022, \$7,394,238 of the College's bank balances of \$7,894,238 was exposed to custodial credit risk. \$127,587 was uninsured and collateralized by the collateral held by the pledging bank's trust department, not in the College's name. \$7,266,651 of the College's deposits were uninsured and uncollateralized at June 30, 2022.

	Century Bank	New Mexico Bank & Trust	Total
Total amount of deposits	\$ 7,516,651	\$ 377,587	\$ 7,894,238
Deposit accounts covered by the FDIC coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	7,266,651	127,587	7,394,238
Collateralized by securities held by the pledging institution or by its trust department or agent other than the College's name	-	127,587	127,587
Uninsured and uncollateralized	\$ 7,266,651	\$ -	\$ 7,266,651
Collateral requirement (50% of uninsured public funds)	\$ 3,633,326	\$ 63,794	\$ 3,697,120
Pledged security	-	374,660	374,660
Over (under) collateralization	\$ (3,633,326)	\$ 310,866	\$ (3,697,120)

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The collateral pledged is listed on the schedule of collateral pledged by depository in this report. The types of collateral allowed are limited to direct obligations of the United States Government, all bonds issued by any agency, District or political subdivision of the State of New Mexico, securities, including student loans, that are guaranteed by the United States or the state of New Mexico, revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated BAA or above by a nationally recognized bond rating service, or letter of credit issued by a federal home loan bank.

Reconciliation of Deposits to the Statement of Net Position

Deposits	\$	7,894,238
Petty cash		704
Less reconciling items		(16,412)
<hr/>		
Net deposits	\$	<u>7,878,530</u>
Statement of net position		
Cash and cash equivalents	\$	7,871,852
Restricted cash and cash equivalents		6,678
<hr/>		
Total cash and cash equivalents and investments	\$	<u>7,878,530</u>

NOTE 4: RECEIVABLES

Accounts receivable. The College's accounts receivable balance at June 30, 2022 represent revenues earned from student tuition and fees, loans, advances to students, 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. 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.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 4: RECEIVABLES (Continued)

Receivables, net of allowances for uncollectibles		
Grants and contracts receivable		\$ 1,991,298
Capital grants		56,864
Student accounts receivable	\$ 3,186,416	
Less allowance for doubtful accounts	<u>(1,853,304)</u>	
Student accounts receivable, net		1,333,112
Lease		801,852
Mill levy		498,932
Gas and oil		93,731
Other receivables		<u>431,585</u>
<u>Total receivables, net of allowances for uncollectibles</u>		<u>\$ 5,207,374</u>

Lease receivables. The College has recorded a lease receivable as a result of the implementation of GASB Statement No. 87. The lease receivable is initially measured at an amount equal to the initial measurement of the related deferred inflows of resources.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

The following lease agreements were in effect on July 1, 2021.

Description	Term (Years)	Interest Rate	Lease Receivable		
			Balance July 1, 2021 (As restated)*	Lease Receivable Balance June 30, 2022	Deferred Inflows- Leases June 30, 2022
<i>Lease receivables</i>					
Tower structure	43	1.75%	\$ 450,788	\$ 443,556	\$ 440,182
Tower structure	13	1.75%	39,929	37,077	36,857
Solar	46	1.8%	327,399	321,219	319,603
<u>Total lease receivables</u>			<u>\$ 818,116</u>	<u>\$ 801,852</u>	<u>\$ 796,642</u>

* The notes require restatement due to the implementation of GASB Statement No. 87. There is no impact on net position.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 4: RECEIVABLES (Continued)

During the year ended June 30, 2022, the following changes occurred in lease receivables reported in the statement of net position.

	Balance July 1, 2021 (As restated)*	Additions	Reductions	Balance June 30, 2022	Due within One Year
Lease receivables	\$ 818,116	\$ -	\$ 16,264	\$ 801,852	\$ 14,608
Total lease receivables	\$ 818,116	\$ -	\$ 16,264	\$ 801,852	\$ 14,608

* The notes require restatement due to the implementation of GASB Statement No. 87. There is no impact on net position.

The future minimum lease payments to be received as June 30, 2022 are as follows:

Fiscal Year Ending June 30,	Payment	Interest	Total Lease Receivable
2023	\$ 14,608	\$ 13,979	\$ 28,587
2024	14,952	13,723	28,675
2025	15,305	13,461	28,766
2026	15,669	13,191	28,860
2027	16,040	12,916	28,956
2028-2032	86,891	60,192	147,083
2033-2037	85,742	52,368	138,110
2038-2042	86,189	45,016	131,205
2043-2047	95,209	37,120	132,329
2048-2052	105,070	28,400	133,470
2053-2057	115,845	18,782	134,627
2058-2062	126,688	8,183	134,871
2063-2064	23,644	328	23,972
Total	\$ 801,852	\$ 317,659	\$ 1,119,511

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 5: DUE FROM/TO COMPONENT UNITS

At June 30, 2022, the College had the following due from and due to component units:

	Due from Component Unit
<hr/>	
Northern New Mexico College Foundation	\$ 239,457

NOTE 6: INVENTORY

The College's inventory at June 30, 2022 is as follows.

Inventory	
Bookstore inventory	\$ 76,010
<hr/>	
Total inventory	\$ 76,010
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**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 7: CAPITAL ASSETS

The following table summarizes the changes in the College's capital assets during the fiscal year ended June 30, 2022. Land, art, and construction in progress are not subject to depreciation.

	Balance June 30, 2021 (As restated)*	Restatement (see Note 2)	Additions	Deletions	Transfers	Balance June 30, 2022
Assets not being depreciated						
Art	\$ 55,296	\$ -	\$ -	\$ -	-	\$ 55,296
Land	10,156,229	-	-	-	-	10,156,229
Construction in progress	3,477,229	-	1,519,012	-	-	4,996,241
Total assets not being depreciated	13,688,754	-	1,519,012	-	-	15,207,766
Assets being depreciated						
Building and improvements	59,469,004	-	191,456	-	-	59,660,460
Furniture, fixtures, and equipment	3,998,203	(201,168)	388,555	-	-	4,185,590
Library materials	3,197,924	-	-	-	-	3,197,924
Vehicles and heavy equipment	538,099	-	13,950	-	-	552,049
Right-to-use lease assets	-	308,750	-	-	-	308,750
Total assets being depreciated	67,203,230	107,582	593,961	-	-	67,904,773
Less accumulated depreciation						
Building and improvements	38,763,727	-	885,580	-	11,432	39,660,739
Furniture, fixtures, and equipment	3,194,990	(101,047)	277,148	-	(11,432)	3,359,659
Library materials	3,152,778	-	12,108	-	-	3,164,886
Vehicles and heavy equipment	431,026	-	31,227	-	-	462,253
Right-to-use lease assets	-	101,047	68,809	-	-	169,856
Total accumulated depreciation	45,542,521	-	1,274,872	-	-	46,817,393
Total assets being depreciated, net	21,660,709	107,582	(680,911)	-	-	21,087,380
Net capital assets	\$ 35,349,463	\$ 107,582	\$ 838,101	\$ -	\$ -	\$ 36,295,146

* The notes require restatement due to the implementation of GASB Statement No. 87. There is no impact on net position.

Depreciation and amortization expense for the year ended June 30, 2022 was \$1,274,872.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 8: LONG-TERM LIABILITIES

During the year ended June 30, 2022, the following changes occurred in the long-term liabilities reported in the statement of net position:

	Balance July 1, 2021	Restatement (Note 2)*	Additions	Retirements	Balance June 30, 2022	Due within One Year
Lease liability	\$ 173,452	\$ 107,582	\$ -	\$ 91,049	\$ 189,985	\$ 92,777
Compensated absences	466,867	-	516,511	516,766	466,612	466,612
Total long-term liabilities	\$ 640,319	\$ 107,582	\$ 516,511	\$ 607,815	\$ 656,597	\$ 559,389

* The notes require restatement due to the implementation of GASB Statement No. 87. There is no impact on net position.

Lease liability. The College has entered into lease agreements for copiers, postage meter, and vehicles. The lease agreements have been recorded at the present value of the future lease payments as of the date of their inception or, for leases existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at July 1, 2021. Leases are grouped for purposes of disclosure below.

The following lease agreements were in effect on July 1, 2021.

Description	Term (Months)	Interest Rate	Lease Liability Balance July 1, 2021 (As restated)*	Lease Liability Balance June 30, 2022	Lease Asset Value, Net June 30, 2022
<i>Leases</i>					
Copiers	48/42	2.75%	\$ 173,452	\$ 117,805	\$ 66,747
Postage meter	36	0.50%	79,937	45,430	45,346
Vehicles	60	0.50%	33,645	26,750	26,801
Total leases			\$ 287,034	\$ 189,985	\$ 138,894

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 8: LONG-TERM LIABILITIES (Continued)

The future minimum lease payments as of June 30, 2022 are as follows:

Fiscal Year			
Ending June 30,	Payment	Interest	
2023	\$ 92,777	\$ 2,787	
2024	82,532	1,031	
2025	8,818	60	
2026	5,858	11	
Total	\$ 189,985	\$ 3,889	

Compensated Absences

Accumulated unpaid vacation is accrued when incurred. All employees entitled to earn vacation pay both exempt and non-exempt earn it at the same rate per pay period. Up to 192 hours of vacation may be accrued and paid out upon termination for exempt staff. Up to 240 hours of vacation may be accrued and paid out to non-exempt employees. Sick leave is not paid out upon termination: accordingly, no liability for sick leave is recorded by the College.

NOTE 9: RISK MANAGEMENT

New Mexico statutes (section 15-7-2 NMSA 1978) require the Risk Management Division (the “RMD”) to be responsible “for the acquisition and administration of all insurance purchased by the State.” Various statutes allowed RMD to insure, self-insure and use a combination of both for all risks administered by it.

RMD operates under the supervision of the Secretary of New Mexico, General Services Department. The College is exposed to various risks of loss related to general, automobile and aircraft liabilities, including those relating to civil rights (torts); theft of, damage to and destruction of state property assets; errors and omissions; injuries to employees; group insurance; and natural disasters, all of which are insured against by participation in the public entity risk pool described above, subject to limits of coverage set by RMD. All employees of the College are covered by a blanket fidelity bond up to \$5,000,000, with a \$1,000 deductible per occurrence, by the State of New Mexico for the period of July 1, 2021 to June 30, 2022. The College settled litigation during fiscal year 2021 in which RMD covered \$180,000 of the litigation costs.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 10: OTHER REQUIRED DISCLOSURES

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

- A. Deficit net position.
The College does not maintain a deficit net position.
- B. Excess of expenses 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 11: PENSION PLAN – NEW MEXICO EDUCATIONAL RETIREMENT BOARD

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

General Information about the Pension Plan

Educational Retirement Plan

Plan description - The New Mexico Educational Retirement Act (“ERA”) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB’s annual comprehensive financial report. The report can be found on NMERB’s Web site at https://www.nmerb.org/Annual_reports.html.

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

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

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 11: PENSION PLAN – NEW MEXICO EDUCATIONAL RETIREMENT BOARD (Continued)

General Information about the Pension Plan (Continued)

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

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

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

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member's age and earned service credit add up to the sum of 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after July 1, 2010 is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions and returned to work for an NMERB employer on or after July 1, 2013. These members must meet one of the following requirements: the member's minimum age is 55 and has earned 30 or more years of service credit; the member's age and earned service credit add up to the sum of 80 or more; or the member's age is 67 and has earned five or more years of service credit.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 11: PENSION PLAN – NEW MEXICO EDUCATIONAL RETIREMENT BOARD (Continued)

General Information about the Pension Plan (Continued)

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10.00% COLA reduction; their average COLA will be 1.50%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5.00% COLA reduction; their average COLA will be 1.70%.

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

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied.

Contributions - The contribution requirements of plan members and the College are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2022 employers contributed 15.15% of the employees' gross annual salary to the Plan. Employees earning \$24,000 or less contributed 7.9% and employees earning more than \$24,000 contributed 10.70% of the gross annual salary. For the fiscal year ended June 30, 2021 employers contributed 14.15% of employees' gross annual salary to the Plan. Employees earning \$24,000 or less contributed 7.90% and employees earning more than \$24,000 contributed 10.70% of their gross annual salary. Contributions to the pension plan from the College was \$1,446,230 for the year ended June 30, 2022.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 11: PENSION PLAN – NEW MEXICO EDUCATIONAL RETIREMENT BOARD (Continued)

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

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2020. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2021, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2021. At June 30, 2022, the College reported a liability of \$20,241,096 for its proportionate share of the net pension liability. The College’s proportion of the net pension liability is based on the employer contributing entity’s percentage of total employer contributions for the fiscal year ended June 30, 2021. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2021, the College’s proportion was 0.28559 percent, which was a decrease of 0.00314 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the College recognized pension expense of \$602,876. At June 30, 2022, the College reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,590,425	\$ 49,844
Net difference between projected and actual earnings on pension plan investments	-	5,033,550
Changes in assumptions	13,473,511	23,051,390
Changes in proportion	-	322,227
Contributions subsequent to the measurement date	1,446,230	-
Total	\$ 16,510,166	\$ 28,457,011

\$1,446,230 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date of June 30, 2021, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 11: PENSION PLAN – NEW MEXICO EDUCATIONAL RETIREMENT BOARD (Continued)

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

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

<u>Year ended June 30,</u>	
2022	\$ (890,131)
2023	(6,244,568)
2024	(4,578,865)
<u>2025</u>	<u>(1,679,511)</u>
<u>Total</u>	<u>\$ (13,393,075)</u>

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on actuarial valuation and performed as of June 30, 2020. The total pension liability was rolled forward from the valuation date to the Plan's year ending June 30, 2021 using generally accepted actuarial principles. The roll forward incorporated the recent legislation changes that were not available for the actuarial valuation performed as of June 30, 2021 but were made during the fiscal year. Specifically, the total pension liability measured as of June 30, 2021 incorporates the following changes to the Plan's provisions:

1. Employers contribute 0.25% more per employees,
2. Short-term substitute teachers working over quarter time and their employers make contributions,
3. Members beginning employment on or after July 1, 2020 have a new tiered retirement calculation increasing the credited service requirement to receive a full benefit,
4. Members who are New Mexico Public Employees Retirement Association are required to make non-refundable contributions,
5. Return to work members are required to make non-refundable contributions, and
6. Reduction of pay spiking in the final average salary calculation.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 11: PENSION PLAN – NEW MEXICO EDUCATIONAL RETIREMENT BOARD (Continued)

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2019 to June 30, 2049
Asset Valuation Method	5 year smoothed market
Inflation	2.5%
Salary Increase	Composed of 2.50% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.25%
Retirement Age	Experience based table rates based on age and service, adopted by the Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.
Mortality	<p>Healthy males: RP-2000 Combined Mortality Table with White Collar adjustments, no set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.</p> <p>Healthy females: GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p>
Other Information	A new set of assumptions was adopted for the June 30, 2020 actuarial valuation. These assumptions are reflected in the Total Pension Liability as of June 30, 2020, and will be reflected in the ADEC determined for the fiscal year ending 2021. These assumptions can be found in the funding valuation as of June 30, 2020 or in the 2020 experience study report.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 11: PENSION PLAN – NEW MEXICO EDUCATIONAL RETIREMENT BOARD (Continued)

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

The target long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: (1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), (2) application of key economic projections (inflation, real growth, dividends, etc.), and (3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class.

Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following schedule shows the current asset allocation policy adopted on August 2019.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 11: PENSION PLAN – NEW MEXICO EDUCATIONAL RETIREMENT BOARD (Continued)

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

Asset Class	After Allocation	Policy Target
Equities		
<i>Domestic Equities</i>		
Large cap equities	15.3%	14.0%
Small- mid cap equities	3.1%	3.0%
Total domestic	18.4%	17.0%
<i>International Equities</i>		
Developed	5.1%	5.0%
Emerging markets	8.6%	9.0%
Total international	13.7%	14.0%
Total equities	32.1%	31.0%
Fixed Income		
Opportunistic credit	16.3%	16.0%
Core fixed income	4.9%	6.0%
Emerging markets debt	1.6%	2.0%
Total fixed income	22.8%	24.0%
Alternatives		
REITS	2.2%	2.0%
Private real estate	3.9%	6.0%
Inflation-linked assets	7.8%	9.0%
Private equity	18.8%	15.0%
Global asset allocation	2.4%	2.0%
Risk parity	4.9%	3.0%
Other	3.9%	7.0%
Total alternatives	43.9%	44.0%
Cash	1.2%	1.0%
Total	100.0%	100.0%

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 11: PENSION PLAN – NEW MEXICO EDUCATIONAL RETIREMENT BOARD (Continued)

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

Discount rate - A single discount rate of 7.00% was used to measure the total ERB pension liability as of June 30, 2021. This single discount rate was based on an expected rate of return on pension plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were sufficient to finance all projected future benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate - The following table shows the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2021. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.00%) or one percentage point higher (8.00%) than the single discount rate.

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Proportionate share of the net pension liability	\$ 28,659,140	\$ 20,241,096	\$ 13,284,423

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2021, which are publicly available at www.nmerb.org.

Payables to the pension plan - The College remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2022, the College recorded a payable to NMERB in the amount of \$301,414 for the contributions withheld in the month of June 2022, which is included in the accrued expense on the statement of net position.

State of New Mexico
Northern New Mexico College
Notes to Financial Statements

NOTE 11: PENSION PLAN – NEW MEXICO EDUCATIONAL RETIREMENT BOARD (Continued)

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

Alternative Retirement Plan

Effective October 1991, the New Mexico legislature established an Alternative Retirement Plan (ARP) through the enactment of ERA Sections 22-11-47 through 52 NMSA 1978 to provide eligible employees an election to establish an alternative retirement investment plan. In contrast to the defined benefit plan administered by NMERB, the ARP is a defined contribution plan. NMERB is the trustee of the ARP which is administered by two third-party contractors for NMERB. The two administrators approved to offer ARP plans to eligible participants are Teachers Insurance and Annuity Association (TIAA) and Fidelity Investments.

These administrators have the authority to perform record keeping, enrollment education services, and other administrative duties for the ARP. The administrators are delegated any and all powers as may be necessary or advisable to discharge their duties under the ARP and have certain discretionary authority to decide matters under the ARP. As the ARP trustee NMERB is responsible for selecting investment options that provide a prudent rate of return, and to ensure that all investments, amounts, property, and rights under the executed Plan-Trust are held for the exclusive benefit of Plan participants and their beneficiaries, as defined in the Plan Document.

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

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

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

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 11: PENSION PLAN – NEW MEXICO EDUCATIONAL RETIREMENT BOARD (Continued)

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

Alternative Retirement Plan (Continued)

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

ARP Contributions

For the year ended June 30, 2022, colleges and universities contributed 15.15% of participating employees' gross salary to the ARP vendor on behalf of the participant, and 4.25% of the employees' gross salary to NMERB. The colleges and universities are responsible for submitting the balance of the employers' contribution, and the employees' contributions directly to the ARP vendors.

Employees participating in the ARP do not accrue rights to benefits in the defined benefit pension plan based on the 4.25% contributions to the Plan.

Employer contributions reported in the statement of changes in fiduciary net position include amounts remitted on behalf of both the ARP defined contribution plan and the defined benefit plan. The 4.25% contribution remitted for fiscal year ended June 30, 2022, was \$28,822.

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB) – NEW MEXICO STATE RETIREE HEALTH CARE PLAN

General Information about the Other Post-Employment Benefits Plan

Plan Description - Substantially all of the College's full-time employees are provided with other post-employment benefits (OPEB) through the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was created by the state's Retiree Health Care Act, Section 10-7C-1 through 10-7C-16, NMSA 1978, as amended, to administer the New Mexico Retiree Health Care Fund (Plan). The Plan is a cost-sharing, multiple employer defined benefit healthcare plan established to provide comprehensive core group health insurance for persons who have retired from certain public service in New Mexico.

The purpose is to provide eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan or optional plans of benefits that can be purchased by funds flowing into the retiree health care fund and by co-payments or out-of-pocket payments of eligible retirees.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB) – NEW MEXICO STATE RETIREE HEALTH CARE PLAN (Continued)

General Information about the Other Post-Employment Benefits Plan (Continued)

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 plan on the person's behalf, unless that person retires before the employer's 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 Authority 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 NMRHCA at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Benefits provided

The Act authorizes the NMRHCA 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 (\$5) if the eligible participant retired prior to the employer's 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 NMRHCA or viewed on their website at www.nmrhca.state.nm.us.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB) – NEW MEXICO STATE RETIREE HEALTH CARE PLAN (Continued)

General Information about the Other Post-Employment Benefits Plan (Continued)

Employees covered by benefit terms - At June 30, 2021, the Fund's measurement date, the following employees were covered by the benefit terms.

Plan Membership	
Current retirees and surviving spouses	53,092
Inactive and eligible for deferred benefit	11,754
Current active members	92,484
	157,330
	157,330
Active membership	
State general	18,691
State police and corrections	1,919
Municipal general	20,357
Municipal police	1,573
Municipal FTRE	756
Educational Retirement Board	49,188
	92,484
	92,484

Contributions

The employer, employee and retiree contributions are required to be remitted to the NMRHCA 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 fund in the amount determined to be appropriate by the Board.

The Act is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB) – NEW MEXICO STATE RETIREE HEALTH CARE PLAN (Continued)

General Information about the Other Post-Employment Benefits Plan (Continued)

For employees that were not members of an enhanced plan during the fiscal year ended June 30, 2021, the statute required each participating employer to contribute 2% of each participating employee’s annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to 10-7C- 5(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, 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 Act.

The College’s contributions to the plan for the year ended June 30, 2022 totaled \$197,467, which equals the required contributions for the year.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the College reported a liability of \$6,663,287 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2022. At June 30, 2022, the College’s proportion was 0.20251 percent, which was an increase of 0.01264 percent from June 30, 2020.

For the year ended June 30, 2022, the College recognized OPEB benefit of \$458,637. At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 97,426	\$ 1,062,656
Net difference between projected and actual earnings on OPEB plan investments	-	190,997
Changes in proportion	1,041,433	69,925
Changes in assumptions	1,334,052	2,409,015
Contributions subsequent to the measurement date	197,467	-
Total	\$ 2,670,378	\$ 3,732,593

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB) – NEW MEXICO STATE RETIREE HEALTH CARE PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

\$197,467 reported as deferred outflows of resources related to OPEB resulting from the College’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:		
2022	\$	(690,344)
2023		(362,850)
2024		(158,093)
2025		128,873
2026		(177,268)
Total	\$	(1,259,682)

Actuarial assumptions - The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2021. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2018 and the ERB actuarial experience study as of June 30, 2020. The following actuarial assumptions were applied to the actuary’s measurement.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB) – NEW MEXICO STATE RETIREE HEALTH CARE PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.30% for ERB member; 2.50% for PERA members
Projected payroll increases	3.25% to 13.00% based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	<p>ERB members: 2020 GRS Southwest Region Teacher Mortality Table, set back one year (and scaled at 95% for males). Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020.</p> <p>PERA members: Headcount-Weighted RP-2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017</p>

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

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB) – NEW MEXICO STATE RETIREE HEALTH CARE PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Rate of Return</u>
U.S. Core Fixed Income	20%	0.4%
U.S. Equity - Large Cap	20%	6.6%
Non U.S. - Emerging Markets	15%	9.2%
Non U.S. - Developed Equities	12%	7.3%
Private Equity	10%	10.6%
Credit and Structured Finance	10%	3.1%
Real Estate	5%	3.7%
Absolute Return	5%	2.5%
U.S. Equity - Small/Mid Cap	3%	6.6%

Discount Rate

The discount rate used to measure the total OPEB liability is 3.62% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2052. The 7.00% discount rate, which includes the assumed inflation rate of 2.30% for ERB members and 2.50% for PERA members, was used to calculate the net OPEB liability through 2052. Beyond 2052, the index rate for 20- year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (2.16%) was applied. Thus, 3.62% is the blended discount rate.

Basis for Allocation

The employers' proportionate share, reported in the Schedule of Employer Allocations, is calculated using employer contributions for employers that were members of the Authority as of June 30, 2021.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB) – NEW MEXICO STATE RETIREE HEALTH CARE PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of the College’s proportionate share of the net OPEB liability to changes in the discount rate - The following presents the College’s proportionate share of the net OPEB liability, calculated using the discount rate of 3.62%, as well as what the College’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate.

1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
\$ 8,372,265	\$ 6,663,287	\$ 5,333,890

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

1% Decrease	Current Trend Rates	1% Increase
\$ 5,359,430	\$ 6,663,287	\$ 7,713,284

OPEB plan fiduciary net position

Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of OPEB Amounts by Employer, including the disclosure of the net OPEB liability and the unmodified audit opinion on the financial statements, is located in the New Mexico Retiree Health Care Authority financial statements for the fiscal year ended June 30, 2021. Additional financial information is available at www.nmrhca.state.nm.us or by contacting New Mexico Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (OPEB) – NEW MEXICO STATE RETIREE HEALTH CARE PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Payables to the OPEB Plan

The NMRHCA requires that the contributions be remitted by the 15th day of the month following the month of which contributions are withheld. At June 30, 2022, the College recorded a payable to NMRHCA in the amount of \$21,160 for the contributions withheld in the month of June 2022, which is included in the accrued expense on the statement of net position.

NOTE 13: 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 14: DEFERRED COMPENSATION PLAN

The College offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all College employees, permits them to defer a portion of their salary until future years. The plan is administered by Voya Deferred. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the individuals who participate in the deferred compensation plan and are not subject to the claims of the College's general creditors. The College does not contribute to the plan.

State of New Mexico
Northern New Mexico College
Notes to Financial Statements

NOTE 15: LAND GRANT PERMANENT FUND

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

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

As an entity with a beneficial interest, the College receives monthly distributions of income from the LGPF as required by law. The College’s beneficial interest and income received from this beneficial interest as of and for the year ended June 30, 2022, was as follows.

Balance of the College’s beneficial interest	\$ 3,915,494
Income received from the College’s beneficial interest in the LGPF	155,875

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

NOTE 16: CONTINGENT LIABILITIES

During the ordinary course of its operation, the College is party to various claims, legal actions, and complaints.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

NOTE 17: COMMITMENTS

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

NOTE 18: 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 19: RELATED PARTY TRANSACTIONS

The Northern New Mexico College Foundation (the “Foundation”) is a not-for-profit corporation established to acquire and manage charitable gifts, including endowed funds, to be used solely for the benefit of the College. The Foundation incurs certain expenses including various scholarships and programs that are paid through the College. The Foundation will reimburse the College for these items it has paid on behalf of the Foundation.

The following transactions occurred during fiscal year ended June 30, 2022, between the College and the Foundation.

	Foundation to College	College to Foundation
Scholarships	\$ 125,160	\$ -
ECMC grant reimbursement	-	66,884
Total	\$ 125,160	\$ 66,884

NOTE 20: BLENDED COMPONENT UNIT – NORTHERN NEW MEXICO COLLEGE EAGLE CORPORATION

The Northern New Mexico College Eagle Corporation (the “Corporation”) was formed on June 15, 2020 pursuant to the University Research Park and Economic Development Act, NMSA 1978 Section 21-28-1, et. seq (the “Research Park Act”). The Corporation is operated exclusively for the benefit and support of, to perform the functions of, and carry out the purposes of the College.

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

**NOTE 20: BLENDED COMPONENT UNIT – NORTHERN NEW MEXICO COLLEGE EAGLE CORPORATION
(Continued)**

The Corporation has financial accountability to the College. Financial accountability is measured through the degree to which the College can appoint a voting majority of the governing body, impose its will, ascertain a potential financial benefit, or face a potential financial burden with regard to the potential component unit. Based on the above criteria, it was determined that the Corporation is a blended component unit of the College. As such, the College has consolidated the Corporations financial statement amounts within the College.

As of June 30, 2022, the Corporation ceased operations.

The condensed component unit information for the Corporation for the year ended June 30, 2022 was as follows:

Statement of Net Position - Corporation

June 30, 2022	Corporation
Assets	
Current assets	
Due from primary government	\$ -
Total current assets	-
Total assets	\$ -
Liabilities and net position	
Liabilities	
Current liabilities	
Due to primary government	\$ -
Income taxes payable	-
Total current liabilities	-
Total liabilities	-
Net position	
Unrestricted	-
Total net position	-
Total liabilities and net position	\$ -

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

**NOTE 20: BLENDED COMPONENT UNIT – NORTHERN NEW MEXICO COLLEGE EAGLE CORPORATION
(Continued)**

For the year ended June 30, 2022	Corporation
Operating expenses	
Other	\$ 997
Total operating expenses	997
Operating (loss)	(997)
Nonoperating expenses	
Distribution to College	(289,644)
Decrease in net position	(290,641)
Net position, beginning of year	290,641
Net position, end of year	\$ -

**State of New Mexico
Northern New Mexico College
Notes to Financial Statements**

**NOTE 20: BLENDED COMPONENT UNIT – NORTHERN NEW MEXICO COLLEGE EAGLE CORPORATION
(Continued)**

Statement of Cash Flows - Corporation

For the year ended June 30, 2022	Corporation
Cash flows from operating activities	
Cash paid for operating expenses	\$ -
Net cash provided by operating activities	-
Increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ -
Reconciliation of end of year cash and cash equivalents to statement of net position	
Cash and cash equivalents	\$ -
Cash and cash equivalents, end of year	\$ -

For the year ended June 30, 2022	Corporation
Reconciliation of operating (loss) to net cash provided by operating activities	
Operating (loss)	\$ (997)
Noncash distribution to College	(289,644)
Changes in operating assets	
Due from primary government	300,000
Deferred tax asset	2,303
Changes in operating liabilities	
Due to primary government	(9,359)
Income taxes payable	(2,303)
Net cash provided by operating activities	\$ -

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Required Supplementary Information



State of New Mexico
Northern New Mexico College
Schedule of the College's Proportionate Share of the Net Pension Liability
New Mexico Educational Retirement Board (ERB) Plan
Last 10 Fiscal Years*

Fiscal Year	2022	June 30, 2021	2020
Measurement Date	2021	2020	2019
College's proportion of the net pension liability	0.28559%	0.28873%	0.28980%
College's proportionate share of the net pension liability	\$ 20,241,096	\$ 58,513,704	\$ 21,959,024
College's covered payroll	\$ 9,623,508	\$ 8,827,590	\$ 8,808,103
College's proportionate share of the net pension liability as a percentage of covered payroll	210.33%	662.85%	249.30%
Plan fiduciary net position as a percentage of the total pension liability	69.77%	39.11%	64.13%

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

See notes to required supplementary information.

June 30,				
2019	2018	2017	2016	2015
2018	2017	2016	2015	2014
0.29243%	0.27773%	0.29280%	0.31961%	0.35400%
\$ 34,773,819	\$ 30,865,435	\$ 21,071,157	\$ 20,701,991	\$ 20,198,280
\$ 8,377,976	\$ 8,117,792	\$ 8,726,377	\$ 9,820,806	\$ 9,067,933
415.06%	380.22%	241.47%	210.80%	222.74%
52.17%	52.95%	61.58%	63.97%	66.54%

See notes to required supplementary information.

**State of New Mexico
Northern New Mexico College
Schedule of the College's Contributions
New Mexico Educational Retirement Board (ERB) Plan
Last 10 Fiscal Years***

As of and for the Year Ended June 30,	2022	2021	2020
Contractually required contribution	\$ 1,446,230	\$ 1,295,515	\$ 1,227,035
Contributions in relation to the contractually required contribution	1,446,230	1,295,515	1,227,035
Contribution deficiency (excess)	\$ -	\$ -	\$ -
College's covered payroll	\$ 10,108,129	\$ 9,623,508	\$ 8,827,590
Contributions as a percentage of covered payroll	14.31%	13.46%	13.90%

* This schedule is presented to illustrate the requirement to show information for ten (10) years. However, until a full ten (10) year trend is compiled, the College will present information for those years for which information is available.

See notes to required supplementary information.

2019	2018	2017	2016	2015
\$ 1,224,326	\$ 1,177,155	\$ 1,077,546	\$ 1,262,881	\$ 1,283,113
<u>1,224,326</u>	<u>1,177,155</u>	<u>1,077,546</u>	<u>1,262,881</u>	<u>1,283,113</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,808,103	\$ 8,377,976	\$ 8,117,792	\$ 8,726,377	\$ 9,820,806
13.90%	14.05%	13.27%	14.47%	13.07%

See notes to required supplementary information.

State of New Mexico
Northern New Mexico College
Schedule of College's Proportionate Share of the Net OPEB Liability
New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years*

Fiscal Year Measurement Date	June 30,				
	2022 2021	2021 2020	2020 2019	2019 2018	2018 2017
College's proportion of the net OPEB liability	0.20251%	0.18987%	0.17870%	0.18143%	0.17247%
College's proportionate share of the net OPEB liability	\$ 6,663,287	\$ 7,972,467	\$ 5,794,149	\$ 7,889,220	\$ 7,815,776
College's covered payroll	\$ 9,779,486	\$ 9,098,728	\$ 8,954,050	\$ 7,891,350	\$ 7,184,492
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	68.14%	87.62%	64.71%	99.97%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	25.39%	16.50%	18.92%	13.14%	11.34%

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

See notes to required supplementary information.

**State of New Mexico
Northern New Mexico College
Schedule of College's Contributions
New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years***

As of and for the Year Ended June 30,	2022	2021	2020	2019	2018
Contractually required contributions	\$ 197,467	\$ 178,982	\$ 181,416	\$ 179,081	\$ 157,827
Contributions in relation to the contractually required contribution	(197,467)	(178,982)	(181,416)	(179,081)	(157,827)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 9,887,204	\$ 9,779,486	\$ 9,098,728	\$ 8,954,050	\$ 7,891,350
Contributions as a percentage of covered payroll	2.01%	1.84%	2.00%	2.00%	2.00%

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

See notes to required supplementary information.

State of New Mexico
Northern New Mexico College
Notes to Required Supplementary Information

New Mexico Educational Retirement Board (ERB) Plan

Changes of benefit terms. The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure Pension Plan - Educational Retirement Board, General Information on the Pension Plan.

Changes of assumptions. There were not assumption changes since the last actuary valuation.

New Mexico Retiree Health Care Authority (NMRHCA) Plan

Changes of benefit terms. The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHC FY21 audit available at <https://www.nmrhca.org/wp-content/uploads/2022/04/NMRHCA-Audited-FS-6.30.21.pdf>.

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2021 report is available at https://www.nmrhca.org/wp-content/uploads/2021/12/RPTS-05496.019-NMRHCA-6_30_2021-Measurement-GAS-74-Report-CLIENT.pdf. See the notes to the financial statements beginning on page 18 which summarizes actuarial assumptions and methods effective with the June 30, 2021 valuation.



Supplementary Information



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State of New Mexico
Northern New Mexico College
Unrestricted and Restricted - All Operations Schedule of Revenues,
Expenses and Changes in Net Position - Budget (Modified Accrual) and Actual

For the Year Ended June 30, 2022	Budgeted Amounts		Actual	Variance
	Original	Final	(Modified Accrual)	Favorable (Unfavorable) Final to Actual
Beginning net position	\$ 7,254,447	\$ 5,337,020	\$ 11,102,381	\$ 5,765,361
Unrestricted and restricted revenues				
Student tuition, fees and trainings	3,434,506	3,647,930	3,465,039	(182,891)
Federal grants and contracts	6,512,697	12,032,354	8,236,339	(3,796,015)
State and local grants and contracts	805,912	1,184,455	1,056,660	(127,795)
Other grants and contracts	578,300	879,057	623,043	(256,014)
Sales and services of auxiliary enterprises	793,080	371,683	261,703	(109,980)
Other	653,407	840,273	204,313	(635,960)
State general fund appropriations	15,336,600	16,082,051	12,109,800	(3,972,251)
Local government appropriations	3,618,941	3,346,331	2,445,153	(901,178)
Capital appropriations	-	-	213,516	213,516
State land and permanent fund income	222,957	222,957	511,518	288,561
Investment income	-	-	26,427	26,427
Total unrestricted and restricted revenues	31,956,400	38,607,091	29,153,511	(9,453,580)
Unrestricted and restricted expenses				
Instruction	9,093,589	9,243,814	9,317,863	(74,049)
Institutional support	4,594,834	5,581,112	4,204,833	1,376,279
Student aid, grants, and stipends	4,775,633	6,971,668	4,511,495	2,460,173
Operation and maintenance of plant	2,098,201	3,841,077	2,790,765	1,050,312
Student services	3,494,206	4,401,159	2,843,614	1,557,545
Academic support	704,831	958,823	1,955,086	(996,263)
Athletics	567,340	549,996	205,121	344,875
Public service	498,015	506,135	417,653	88,482
Student activities	113,266	98,851	24,830	74,021
Research	54,098	132,061	66,077	65,984
Auxiliary enterprises	910,037	377,617	308,184	69,433
Internal service	774,988	1,033,186	220,142	813,044
Capital outlay	3,785,000	3,972,151	-	3,972,151
Renewal and replacement	1,422,883	1,422,882	-	1,422,882
Total unrestricted and restricted expenses	32,886,921	39,090,532	26,865,663	12,224,869
Net transfers	-	-	-	-
Change in net position	(930,521)	(483,441)	2,287,848	2,771,289
Ending net position	\$ 6,323,926	\$ 4,853,579	\$ 13,390,229	\$ 8,536,650
Change in net position per statement of revenues, expenses and changes in net position			\$ 3,344,954	
Capital outlay expenses capitalized			(2,112,973)	
Depreciation expense			1,206,063	
Amortization expense			68,809	
Net pension change			693,042	
Net OPEB change			(654,250)	
Other			(257,797)	
Financial statements change in net position reconciled			\$ 2,287,848	

**State of New Mexico
Northern New Mexico College
Unrestricted - Instruction and General Schedule of Revenues,
Expenses and Changes in Net Position - Budget (Modified Accrual) and Actual**

For the Year Ended June 30, 2022	Budgeted Amounts		Actual (Modified Accrual)	Variance Favorable (Unfavorable)
	Original	Final		Final to Actual
Beginning net position	\$ 6,902,907	\$ 4,683,749	\$ 6,862,885	\$ 2,179,136
Unrestricted revenues				
Student tuition, fees and trainings	3,434,506	3,647,930	2,924,512	(723,418)
Federal grants and contracts	3,075	3,075	2,240	(835)
Sales and services of auxiliary enterprises	643	-	5,000	5,000
Other	71,214	198,490	153,446	(45,044)
State general fund appropriations	10,785,400	11,341,200	11,343,200	2,000
Local government appropriations	3,618,941	3,346,331	2,445,153	(901,178)
State land and permanent fund income	222,957	222,957	511,518	288,561
Investment income	-	-	26,427	26,427
Total unrestricted revenues	18,136,736	18,759,983	17,411,496	(1,348,487)
Unrestricted expenses				
Instruction	7,906,293	7,583,932	7,804,932	(221,000)
Institutional support	4,594,834	5,568,846	3,826,625	1,742,221
Operation and maintenance of plant	2,098,201	1,741,634	1,627,670	113,964
Student services	1,707,920	1,772,788	1,451,405	321,383
Academic support	704,831	950,928	780,722	170,206
Total unrestricted expenses	17,012,079	17,618,128	15,491,354	2,126,774
Net transfers	(1,542,603)	(1,669,781)	(180,369)	1,489,412
Change in net position	(417,946)	(527,926)	1,739,773	2,267,699
Ending net position	\$ 6,484,961	\$ 4,155,823	\$ 8,602,658	\$ 4,446,835

State of New Mexico
Northern New Mexico College
Restricted - Instruction and General Schedule of Revenues,
Expenses and Changes in Net Position - Budget (Modified Accrual) and Actual

For the Year Ended June 30, 2022	Budgeted Amounts		Actual (Modified Accrual)	Variance Favorable (Unfavorable)
	Original	Final		Final to Actual
Beginning net position	\$ -	\$ -	\$ 1,081,712	\$ 1,081,712
Restricted revenues				
Federal grants and contracts	2,517,582	5,761,840	3,537,918	(2,223,922)
State and local grants and contracts	176,157	293,510	185,769	(107,741)
Other grants and contracts	368,300	615,217	569,203	(46,014)
Total restricted revenues	3,062,039	6,670,567	4,292,890	(2,377,677)
Restricted expenses				
Instruction	1,187,296	1,659,882	1,512,862	147,020
Institutional support	-	12,266	43,007	(30,741)
Operation and maintenance of plant	-	2,099,443	1,163,095	936,348
Student services	1,786,286	2,628,371	1,392,159	1,236,212
Academic support	-	7,895	1,163,095	(1,155,200)
Total restricted expenses	2,973,582	6,407,857	5,274,218	1,133,639
Net transfers	(88,458)	(262,711)	186,924	449,635
Change in net position	(1)	(1)	(794,404)	(794,403)
Ending net position	\$ (1)	\$ (1)	\$ 287,308	\$ 287,309

**State of New Mexico
Northern New Mexico College
Schedule of Deposit Accounts
June 30, 2022**

Account Name	Type	Century Bank	New Mexico Bank & Trust	Total
General Fund	Checking*	\$ 6,820,615	\$ -	\$ 6,820,615
Payroll	Checking*	689,359	-	689,359
Bustos	Checking	6,677	-	6,677
General	Checking	-	106,184	106,184
P-Card	Money Market*	-	271,403	271,403
Amounts on deposit		7,516,651	377,587	7,894,238
Outstanding items		57,641	(74,053)	(16,412)
Reconciled balance		\$ 7,574,292	\$ 303,534	7,877,826
Petty cash				704
Total cash and cash equivalents				\$ 7,878,530
Reconciliation to the financial statements				
Cash and cash equivalents			\$	7,871,852
Restricted cash and cash equivalents				6,678
Total cash and cash equivalents			\$	7,878,530

*Interest bearing account.

**State of New Mexico
Northern New Mexico College
Schedule of Collateral Pledged by Depository
June 30, 2022**

Depository	Description of Pledged Collateral	Fair Market Value June 30, 2022	Name and Location of Safekeeper
New Mexico Bank & Trust			
	FNMA Pool #BF0485	\$ 132,202	Raymond James; Santa Fe, NM
	FNMA Pool #BF0141	242,458	Raymond James; Santa Fe, NM
Total New Mexico Bank & Trust		374,660	
Total pledged collateral		\$ 374,660	

State of New Mexico
Northern New Mexico College
Schedule of Special, Deficiency, Specific and Capital Outlay Appropriations
For the Year Ended June 30, 2022

Description	SHARE Identifier #	Original Appropriation
Special, Deficiency, Specific and Capital Outlay Appropriations		
NNMSS Dormitory & Kitchen Pipes Replace	D3499	\$ 132,565
NNMSS Espanola Infra Improve Bldgs & Grounds	D3500	1,855,000
NNMSS-El Rito Fire Alarm Sys	E2881	100,000
NNMSS-Espanola Robotics & Computer Prgm Equip	E2882	35,000
NNMSS Parking Drain & Infra Improve	E5331	2,500,000
NNMSS HVAC Sys & Control Improvement	F3132	1,000,000
NNMSS Ben Lujan Library Ren	F3133	50,000
NNMSS Montoya Building Equip	F3130	100,000
Total Special, Deficiency, Specific and Capital Outlay Appropriations		\$ 5,772,565

Appropriation Period	Expenditures To Date	Outstanding Encumbrances	Unencumbered Balances
2019 to 6/30/2023	\$ 132,565	\$ -	\$ -
2019 to 6/30/2023	1,787,828	-	67,172
6/29/2020 to 6/30/2024	-	-	100,000
10/27/2020 to 6/30/2023	-	-	35,000
6/30/2024	-	-	2,500,000
6/22/2021 to 6/30/2025	-	-	1,000,000
6/22/2021 to 6/30/2025	-	-	50,000
6/22/2021 to 6/30/2023	22,432	-	77,568
	\$ 1,942,825	\$ -	\$ 3,829,740

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Compliance Section



INDEPENDENT AUDITORS' 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

Joseph Maestas, P.E.
New Mexico State Auditor
The Office of Management and Budget and
Northern New Mexico College Board of Regent
Northern New Mexico College
Española, 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 the business-type activities, the discretely presented component unit, and aggregate remaining fund information, of Northern New Mexico College (the "College") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and the related budgetary schedules of the College, presented as supplementary information, and have issued our report thereon dated March 21, 2023.

Report on 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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, 2022-003, 2022-004, 2022-005, 2022-018, 2022-019, 2022-020, and 2022-024 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs as item 2022-006 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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* as items 2022-005 and 2022-020.

We noted other matters that are required to be reported per Section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 findings as items 2022-014, 2022-015, 2022-016, 2022-017, 2022-021, 2022-022, 2022-023, and 2022-025.

College's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the College's responses to the findings identified in our audit and 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 results 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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
March 21, 2023

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

Joseph M. Maestas, P.E.
New Mexico State Auditor
The Office of Management and Budget and
Northern New Mexico College Board of Regents
Northern New Mexico College
Española, New Mexico

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Northern New Mexico College's (the "College") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2022. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinions on the Student Financial Assistance Cluster and the Research and Development Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Student Financial Assistance Cluster and the Research and Development Cluster for the year ended June 30, 2022.

Unmodified Opinion of the Other Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on the Student Financial Assistance Cluster and the Research and Development Cluster

As described in the accompanying schedule of findings and questioned costs, the College did not comply with requirements regarding the Student Financial Assistance Cluster, assistance listing numbers 84.007, 84.033, 84.063, and 84.268 as described in finding number 2022-007 for Special Tests and Provisions - Enrollment Reporting. In addition, the College did not comply with requirements regarding the Research and Development Cluster, assistance listing numbers 12.598, 47.050, 47.076, 84.031, and 93.859 as described in finding number 2022-012 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance - Payroll.

Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the College's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify 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 a 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-007, 2022-010, and 2022-012 to be material weaknesses.

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 2022-008, 2022-009, 2022-011, and 2022-013 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the College's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The College's response were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
March 21, 2023

**State of New Mexico
Northern New Mexico College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

Federal Grantor/Passthrough Grantor/Program Title	Grant/Pass-Through Number	Assistance Listing Number	Federal Expenditures
Research and Development Cluster			
National Science Foundation			
<i>Direct programs</i>			
Geosciences		47.050	\$ 85,207
<i>Passed through New Mexico State University</i>			
Education and Human Resources	HRD-1826758	47.076	16,739
<hr/>			
Total National Science Foundation			<hr/> 101,946
U.S. Department of Education			
<i>Direct Program</i>			
Higher Education Institutional Aid		84.031	944,439
U.S. Department of Defense			
<i>Passed through University of New Mexico</i>			
Centers for Academic Excellence	HHM402-18-1-0005	12.598	4,493
National Institute of Health			
<i>Passed through New Mexico State University</i>			
Biomedical Research and Research Training	2P20GM103451	93.859	152,114
<hr/>			
Total Research and Development Cluster			<hr/> 1,202,992

See accompanying notes to schedule of expenditures of federal awards.

Funds	
Provided to Subrecipients	Noncash Assistance
\$ -	\$ -
-	-
-	-
-	-
-	-
-	-
-	-

See accompanying notes to schedule of expenditures of federal awards.

**State of New Mexico
Northern New Mexico College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

Federal Grantor/Passthrough Grantor/Program Title	Grant/Pass-Through Number	Assistance Listing Number	Federal Expenditures
U.S. Department of Education			
<i>Direct programs</i>			
Migrant Education High School Equivalency Program		84.141	\$ 378,027
Migrant Education College Assistance Migrant Program		84.149	416,392
COVID-19 Education Stabilization Fund			
COVID-19 Higher Education Emergency Relief Fund-Student Aid Portion		84.425E	1,713,627
COVID-19 Higher Education Emergency Relief Fund-Institutional Portion		84.425F	1,378,587
COVID-19 Higher Education Emergency Relief Fund-Minority Serving Institutions Portion		84.425L	121,532
Total COVID-19 Education Stabilization Fund			3,213,746
Student Financial Assistance Cluster			
Federal Supplemental Education Opportunity Grant		84.007	142,902
Federal Work Study Program		84.033	48,682
Federal Pell Grant Program		84.063	2,027,951
Federal Direct Student Loans-Subsidized		84.268	143,289
Federal Direct Student Loans-Unsubsidized		84.268	151,771
Total Student Financial Assistance Cluster			2,514,595
TRIO Cluster			
TRIO-Upward Bound		84.047	293,217
TRIO Educational Opportunity Centers		84.066	72,318
Total TRIO Cluster			365,535
<i>Passed through State of New Mexico</i>			
	V048A210031-21A		
Career and Technical Education - Basic Grants to State	V048A180031-19A		
	V048A170031-18A	84.048	71,679
Adult Education - Basic Grants to States	V002A210032	84.002	67,633
Total U.S. Department of Education			7,027,607
Total federal financial assistance			\$ 8,230,599

See accompanying notes to schedule of expenditures of federal awards.

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State of New Mexico
Northern New Mexico College
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Northern New Mexico College (the "College") and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

LOANS

The College did not expend federal awards related to loans or loan guarantees during the year. Federal Direct Loans advanced to students in fiscal year 2022 totaled \$0.

INDIRECT COST RATE

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

FEDERALLY FUNDED INSURANCE

The College has no federally funded insurance.

RECONCILIATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO FINANCIAL STATEMENTS

Total federal awards expended per schedule of expenditures of federal awards	\$ 8,230,599
Total expenses funded by other sources	17,515,962
<hr/>	
Total expenses	\$ 25,746,561
<hr/>	

**State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022**

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | |
|--|-----------|
| 1. Type of auditors' report issued | Qualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements? | Yes |

Federal Awards

- | | |
|---|-----------|
| 1. Type of auditors' report issued on compliance for major programs | Qualified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | Yes |
| 4. Identification of major programs: | |

Assistance Listing Numbers

Federal Program

84.063
84.007
84.033
84.268

Student Financial Assistance Cluster

Federal PELL Grant program
Federal SEOG program
Federal Work Study program
Federal Direct Loans

84.425E
84.425F
84.425L

COVID-19: Education Stabilization Fund

HEERF: Student Aid Portion
HEERF: Institutional Portion
HEERF: Minority Serving Institutions

**State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022**

SECTION I: SUMMARY OF AUDITORS' RESULTS (Continued)

4. Identification of major programs: (Continued)

	Research and Development Cluster
47.050	Geosciences
47.076	Education and Human Resources
84.031	Higher Education Institutional Aid
12.598	Centers for Academic Excellence
93.859	Biomedical Research and Research Training

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

6. Auditee qualified as low-risk auditee? No

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION II: FINANCIAL STATEMENT FINDINGS

2022-001 (2021-001) – Capital Assets – Material Weakness (Modified and Repeated)

Condition - The College was not able to timely present supporting schedules and documentation to substantiate the capital assets balance at year-end. Additionally, the College did not conduct a thorough physical inventory of all capital assets and a prior year addition of \$15,324 was included in the current year activity as it was not capitalized during the prior fiscal year.

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

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

Effect - This resulted in the College not being in compliance with regulations over capital assets. Without proper accountability or tracking of assets, the assets and related records are more susceptible to theft and errors.

Cause - Lack of opinions in prior fiscal years and lack of documentation to support prior year balances. In addition, the process in place over recording the physical control over capital assets was not functioning properly.

Auditors' Recommendation - We recommend that the College obtain an appraisal for their buildings to help with the valuation of prior year assets. In addition, we recommend the College draft and adopt policies over the disposals and physical control of capital assets and perform a complete physical inventory count of all capital assets to ensure compliance with the applicable laws and regulations.

Views of Responsible Officials and Planned Corrective Action - The College did not have the adequate resources to address the capital assets inventory in a timely manner nor to address possible revisions to its capital assets policy. The college has identified entities who can conduct a historical appraisal of the commercial buildings and is in the process of soliciting bids.

Responsible Official - Vice President for Finance & Administration and Chief Financial Officer

Timeline and Estimated Completion Date - June 30, 2024

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2022-002 (2021-002) – Financial Policies and Procedures – Material Weakness (Modified and Repeated)

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

The College made some progress in implementing their prior corrective action plan; however, the current year corrective action plan has been given a revised schedule.

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

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

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

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

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

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2022-002 (2021-002) – Financial Policies and Procedures – Material Weakness (Modified and Repeated) (Continued)

Views of Responsible Officials and Planned Corrective Action - Management agrees with the findings and notes that staff resources to address the policy revisions were severely hampered with competing demands. The College plans to readdress the policy revisions throughout the current and future fiscal year for all fiscal policies.

Responsible Official - Vice President for Finance & Administration and Chief Financial Officer

Timeline and Estimated Completion Date - June 30, 2024

2022-003 (2021-003) – Trial Balance Maintenance and Account Reconciliation – Material Weakness (Modified and Repeated)

Condition - Several material audit adjustments were necessary to properly state balances at year-end, they include:

- An audit adjustment of \$65,624 was required to properly roll fund balance after the receipt of the final trial balance due to incorrectly implementing GASB 87.
- The College did not include an additional amount of \$933,372 of student accounts receivable and deferred revenue related to preregistration for classes in the current fiscal year.
- An entry in the amount of \$156,652 was necessary to properly adjust deferred revenue for the Capital Outlay Appropriations 2019 for current expenses.
- An adjustment of \$864 was necessary to properly account for the negative cash in the custodial funds.
- Two adjustments in the amount of \$52,457 and \$300,000, respectively were necessary to properly agree due to/due from component unit at year end.

The College made progress on their prior year corrective action plan; however, there were still issues noted in the current year, which caused the finding to be modified.

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

Effect - The trial balance not being fully reconciled and ready for audit, which ultimately lead to a late audit report.

Cause - Internal controls were not in place to ensure that monthly general ledger account reconciliations were completed and reviewed for all significant accounts during the fiscal year.

State of New Mexico
Northern New Mexico College
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SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2022-003 (2021-003) – Trial Balance Maintenance and Account Reconciliation – Material Weakness (Modified and Repeated) (Continued)

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

Views of Responsible Officials and Planned Corrective Action - Management agrees with the finding and notes that several of the balances are generally made at year end in the adjustment period. Accordingly, the College does not record the full amount of preregistrations until the fall semester becomes measurable and collectable. The College will be more diligent to document and ascertain possible year end accruals.

Responsible Official - Vice President for Finance & Administration, Chief Financial Officer and Student Accounts Accountant

Timeline and Estimated Completion Date - June 30, 2023

2022-004 – Inadequate Controls over Athletics – Material Weakness

Condition – The College self-reported there was inadequate controls over receipts to safeguard the College's collections for athletic programs, which total \$21,740. Through review of the fundraising contract, donations collected by the fundraising platform, and inquiry of management, it appears that a former employee collected the funds in a personal PayPal account and such funds were not remitted to the College.

After becoming aware of the situation, the College properly notified the New Mexico State Auditor's Office as is required by Section 12-6-6 NMSA 1978.

Criteria - Appropriate internal controls over athletic programs require separation between custody of assets, recording of transactions, and authorization of transactions. Additionally, good accounting practice require the College to implement internal accounting controls designed to prevent the misappropriation of fundraising collections.

Effect - The lack of strong controls surrounding athletic programs greatly increases the risk for misappropriations of funds that should be for the benefit of College athletes and athletic programs.

Cause - The College did not enforce sufficient controls over contracts. The former employee initiated the fundraising through approval of the vendor's proposal and directed payments from the fundraising platform to a personnel PayPal account. The employee was in a trusted position of authority.

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2022-004 – Inadequate Controls over Athletics – Material Weakness (Continued)

Auditors' Recommendation - We recommend that the College strengthen policies surrounding athletic programs and procedures for fundraiser initiation and processing be formally documented. Additionally, setting an ethical and strong tone at the top, followed through with accountability for staff is critical, as this sets the tone for standard conduct.

Views of Responsible Officials and Planned Corrective Action - The College did self-report to the Office of the State Auditor and law enforcement within 24 hours of finding out about the alleged embezzlement, after a review of accounts receivable to validate suspicion. The College has strived to enhance internal controls over the last five years and will continue to review and enforce such controls on a continuous basis. The College will note that it was the manipulation of the vendor by the former employee that allowed for the circumvention of the controls.

Responsible Official - Vice President for Finance & Administration, Chief Financial Officer, and Athletics Director

Timeline and Estimated Completion Date - June 30, 2024

2022-005 (2021-010) –Pledged Collateral Requirements and Bank Reconciliations – Material Weakness and Material Noncompliance (Modified and Repeated)

Condition - The College's bank balances for Century Bank were not properly collateralized in the amount of \$3,633,326 at year end.

For two bank reconciliations reviewed at June 30, 2022, the accounts were reconciled in August 2022 and September 2022, respectively. In addition, the College had outstanding checks totaling \$10,568.79 between two bank accounts in excess of one year.

The College made progress on their prior year corrective action plan; however, there were still issues noted in the current year, which caused the finding to be modified.

Criteria - Section 6-10-17 NMSA 1978 requires pledged collateral for deposits in banks and savings and loan associations to have an aggregate value equal to one-half of the amount of public money held by the depository. Section 6-10-57 NMSA 1978 requires local public bodies to cancel or void any checks that are unpaid for one year after it is written. Section 6-10-57(C) NMSA 1978 states that the face amount of checks cancelled shall revert and be credited to the fund against which it was drawn.

Effect - The College could potentially lose money if the bank were to go out of business. The College's cash balance may be misstated by the amount of the stale dated checks and they are not in compliance with Statutes.

State of New Mexico
Northern New Mexico College
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June 30, 2022

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2022-005 (2021-010) –Pledged Collateral Requirements and Bank Reconciliations – Material Weakness and Material Noncompliance (Modified and Repeated) (Continued)

Cause - The College did not ensure that collateral was properly pledged at year-end. The College overlooked the stale-dated checks during the bank reconciliation process in the last few months of the year.

Auditors' Recommendation - We recommend that the College work with their banking institute to ensure that their balances are properly collateralized. We recommend that the outstanding checks be voided as soon as possible and that a procedure to track and void stale dated checks be implemented.

Views of Responsible Officials and Planned Corrective Action - The College did self-report the lack of collateralization upon discovery. Additionally, upon discovery of the insufficient collateralization the College worked with the financial institution to remedy the issue. The financial institution has instituted a new procedure to ensure the proper level of collateralization at any point in the business cycle. Accordingly, the College will review stale dated warrants and remit to other regulatory entities as required.

Responsible Official - Vice President for Finance & Administration, Chief Financial Officer, Accountants, and Procurement

Timeline and Estimated Completion Date - June 30, 2023

2022-006 (2021-004) – Information Technology (IT) – Significant Deficiency (Modified and Repeated)

Condition - There are active user access accounts within Banner for former employees/contractors.

The College was able to implement a significant portion of their prior year corrective action plan; however, they were unable to correct all items in a timely fashion during the audit year. As a result, the current year corrective action plan has been given a revised schedule.

Criteria - In accordance with ISACA's Control Objectives for Information and related Technology (COBIT) 4.1, framework DS5 (Ensure System Security) provides that the need to maintain integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security and roles and responsibilities, policies, standards, and procedures. Effective security management protects all IT assets to minimize the business/financial impact of security vulnerabilities and incidents. This includes monitoring user access, implementing and testing a continuity plan, and maintaining documents.

Effect - The College's financial and other information may be at risk of theft, loss, or corruption if the above improvements are not implemented.

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SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2022-006 (2021-004) – Information Technology (IT) – Significant Deficiency (Modified and Repeated) (Continued)

Cause - Timing of the implementation of the College's prior year management responses caused the above controls and plans to be delayed during fiscal year 2022.

Auditors' Recommendation - The College should review user access to BANNER and ensure that old accounts are disabled or removed.

Views of Responsible Officials and Planned Corrective Action - The College concurs with the finding and continues to address the review of user access. Staff resources will be directed specifically at formally reviewing user access on a continuous basis along with the corrective action to remove all inactive users by fiscal year end.

Responsible Official - Chief Information Officer and Human Resources

Timeline and Estimated Completion Date - June 30, 2023

SECTION III: FEDERAL AWARD FINDINGS

2022-007 (2021-005) – Special Tests and Provisions – Enrollment Reporting – Material Weakness and Material Noncompliance (Modified and Repeated)

Federal Program Information

Funding Agency:	U.S. Department of Education
Federal Award Agreement Number:	Not Applicable
Award Year:	All
Title:	Student Financial Assistance Cluster
Assistance Listing Number:	84.007, 84.033, 84.063, and 84.268
Pass-through Agency:	Not Applicable, Direct Program
Pass-through Identification Number:	Not Applicable, Direct Program

Condition - The College does not have effective controls over this compliance requirement, which resulted in the College not notifying the Department of Education and NSLDS of changes in student status in a timely and accurate manner. We noted the following instances of noncompliance:

- For nine of 60 students tested, the Student had status information included in Banner but no information was included on the NSLDS report.
- For one of 60 students tested, the student's program on the NSLDS report did not match that listed in Banner.

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SECTION III: FEDERAL AWARD FINDINGS (Continued)

2022-007 (2021-005) – Special Tests and Provisions – Enrollment Reporting – Material Weakness and Material Noncompliance (Modified and Repeated)

- For one of 60 students tested, the student’s degree type on the NSLDS report did not match that listed in Banner.
- For 24 of 60 students tested, the student’s time status on the NSLDS report did not match that listed in Banner.
- For 51 of 60 students tested, the roster was not submitted within 15 days.

As noted in the prior year audit management response, the College did not anticipate this finding would be resolved during fiscal year 2022 as they did not know of the issue until late into the fiscal year.

Criteria - Per 2 CFR 200.303(a), an entity must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the entity is managing the Federal awards in compliance with statutes, regulations, and the terms and conditions of the award. In addition, the Department of Education relies on institution’s enrollments reports to determine a student’s enrollment status based on reductions or increases in attendance levels, withdrawals, graduations or approved leaves-of-absence. According to 34 CFR 690.83(b)(2) and 685.309, the College is required to submit changes in student attendance to the National Student Loan Data System (NSLDS) at a minimum of every 60 days.

Questioned Costs - Not applicable.

Effect - This resulted in inaccurate enrollment reporting during the year, which may cause a student’s status to be incorrect for extended periods of time. As a result, the College did not promptly notify Department of Education, lenders, or NSLDS of changes in student status in a timely and accurate manner.

Cause - The College did not have controls in place to help follow the appropriate procedures in accordance with enrollment reporting requirements.

Auditors’ Recommendation - We recommend the Registrar and/or Admission’s Office strengthen controls over enrollment reporting as well as the requirements under 34 CFR 690.83(b)(2) and 685.309 to ensure accurate reporting to the US Department of Education.

Views of Responsible Officials and Planned Corrective Action - The College agrees with the finding. The College notes that specific steps were taken during the fiscal year to correct the deficiency; however, the process developed did not work. The College will review and modify its existing procedure to remedy the reporting deficiencies.

Responsible Official - Provost, Registrar, Director of Institutional Research, Chief Information Officer, and Admissions

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION III: FEDERAL AWARD FINDINGS (Continued)

2022-007 (2021-005) – Special Tests and Provisions – Enrollment Reporting – Material Weakness and Material Noncompliance (Modified and Repeated)

Timeline and Estimated Completion Date - June 30, 2024

2022-008 – Special Tests and Provisions – Return of Title IV Funds – Significant Deficiency

Federal Program Information

Funding Agency:	U.S. Department of Education
Federal Award Agreement Number:	Not Applicable
Award Year:	All
Title:	Student Financial Assistance Cluster
Assistance Listing Number:	84.007, 84.033, 84.063, and 84.268
Pass-through Agency:	Not Applicable, Direct Program
Pass-through Identification Number:	Not Applicable, Direct Program

Condition - The College does not have effective controls over this compliance requirement, which resulted in four students out of five tested having enrollment dates not matching in two different areas in Banner (SFAWDRL and ROAENRL), and 2 out of 5 students tested did not have professors update the last attendance date. In addition, one of five students tested had an amount due of \$594.38 for the school to return to ED, which was not listed in Banner as paid back.

Criteria - Per Title 2 US Code of Federal Regulations Part 200.303a, non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Per Title 34 US Code of Federal Regulations Part 668.173 Refund reserve standards (b) timely return of title IV funds, no later than 45 days after the date it was determined the student withdrew.

Per Title 34 US Code of Federal Regulations Part 668.22(g), the institution must return the amount of unearned aid they are responsible as calculated and Title 2 US Code of Federal Regulations Part 668.22(j) timeframe for the return of title IV funds as soon as possible but no later than 45 days after the date the institution determined the student withdrew.

Questioned Costs - \$594.38 of known questioned costs and \$5,867 of likely questioned costs.

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION III: FEDERAL AWARD FINDINGS (Continued)

2022-008 – Special Tests and Provisions – Return of Title IV Funds – Significant Deficiency (Continued)

Effect - Failure to return title IV funds which the College was responsible for could result in noncompliance with the Refund Reserve standards of 34 CFR 668.176. Failure to return Title IV funds which the College was responsible for could result in noncompliance with the Refund Reserve standards of 34 CFR 668.176. In addition the risk of inaccurate calculation increases when enrollment data entry is inaccurately recorded.

Cause – The College is not implementing policy and procedures for the institution’s return of unearned aid timely and the enrollment dates are not consistent in Banner.

Auditors’ Recommendation - We recommend the College strengthen controls over return of unearned aid the institution is responsible for to ensure timely return within 45 days and monitoring data entry process.

Views of Responsible Officials and Planned Corrective Action - The College will review its current procedures and address any deficiency within Banner. The College will address in current procedure for the review and return of Title IV funds, to ensure compliance with the requirement. The College will address specific steps and timeframes for this process to include the proper documentation.

Responsible Official - Provost and Director of Financial Aid

Timeline and Estimated Completion Date - June 30, 2023

2022-009 (2021-008) – Special Reporting – Quarterly Reporting – Significant Deficiency (Modified and Repeated)

Federal Program Information

Funding Agency:	U.S. Department of Education
Federal Award Agreement Number:	Not Applicable
Award Year:	Fiscal year 2022
Title:	COVID-19 Education Stabilization Fund
Assistance Listing Number:	84.425E, 84.425F, and 84.425L
Pass-through Agency:	Not Applicable, Direct Program
Pass-through Identification Number:	Not Applicable, Direct Program

Condition - Two Quarterly Public Reports for the student portion did not contain dates reports were posted to verify timeliness nor was there support of documentation reviewed and compared prior to posting.

The College made progress on their prior year corrective action plan; however, there were still issues noted in the current year, which caused the finding to be modified.

State of New Mexico
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SECTION III: FEDERAL AWARD FINDINGS (Continued)

2022-009 (2021-008) – Special Reporting – Quarterly Reporting – Significant Deficiency (Modified and Repeated) (Continued)

Criteria - Per 2 CFR 200.303(a), an entity must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the entity is managing the Federal awards in compliance with statutes, regulations, and the terms and conditions of the award. The CARES Act establishing the Education Stabilization Fund required that reports be publically posted on the institution's website for the Student Aid and Institutional portions of the Higher Education Emergency Relief Fund (HEERF). The forms must be conspicuously posted on the College's primary website at certain dates throughout the year.

Questioned Costs - Not applicable.

Effect - Lack of proper review for accuracy and timeliness of reports can result in improper reporting which could lead to disallowed costs. However, our audit disclosed no instances of unallowable costs.

Cause - The College did not have sufficient controls in place to review and approve reports ensuring accuracy and timeliness in accordance with HEERF reporting requirements.

Auditors' Recommendation - We recommend the College strengthen the controls in place to provide assurance that proper review occurs and timeliness of reports.

Views of Responsible Officials and Planned Corrective Action - The College reported within the year audited, and will ensure that positions responsible for such reporting do so on a timely basis.

Responsible Official – Provost, Director of Financial Aid, and Communications

Timeline and Estimated Completion Date - June 30, 2023

2022-010 – Equipment and Real Property Management – Material Weakness

Federal Program Information

Funding Agency:	Department of Defense, National Science Foundation, Department of Education, Department of Health and Human Services – National Institute of Health
Federal Award Agreement Number:	Not Applicable
Award Year:	Fiscal year 2022
Title:	Research and Development Cluster
Assistance Listing Number:	12.598, 47.050, 47.076, 84.031, and 93.859
Pass-through Agency:	Not Applicable, Direct Program
Pass-through Identification Number:	Not Applicable, Direct Program

State of New Mexico
Northern New Mexico College
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SECTION III: FEDERAL AWARD FINDINGS (Continued)

2022-010 – Equipment and Real Property Management – Material Weakness (Continued)

Condition - The College was not able to provide an equipment listing tracking items purchased with federal funding nor did the College conduct a physical inventory.

Criteria - Per 2 CFR 200.313(d)(2), a physical inventory of program property must be taken and the results reconciled with the property records at least once every 2 years and per 2 CFR 200.303(a) states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

Questioned Costs - Not applicable.

Effect - The College could dispose of or lose federally funded equipment without following federal guidelines.

Cause - The College does not have policies and procedures to ensure that equipment purchases with federal funds is maintained and tracked and that the College performing a physical inventory at a minimum of every two years.

Auditors' Recommendation - We recommend the College enhance the design of its control activities and policies and procedures should be developed to ensure physical inventories are taken at least once every two years and that they create a tool to assist in tracking and maintaining equipment purchased with federal funds.

Views of Responsible Officials and Planned Corrective Action - The College does maintain a listing of inventory purchased with federal funds; however, the inventory was not sufficiently and accurately maintained due to staff turnover. The College is reviewing current policies and will modify those as needed. The College plans to conduct a physical inventory of all capital assets and those assets procured with federal sources.

Responsible Official - Vice President for Finance & Administration, Chief Financial Officer, Chief Information Officer, and Procurement

Timeline and Estimated Completion Date - June 30, 2024

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SECTION III: FEDERAL AWARD FINDINGS (Continued)

2022-011 – Procurement – Small Purchases – Significant Deficiency

Federal Program Information

Funding Agency:	Department of Defense, National Science Foundation, Department of Education, Department of Health and Human Services – National Institute of Health
Federal Award Agreement Number:	Not Applicable
Award Year:	Fiscal year 2022
Title:	Research and Development Cluster
Assistance Listing Number:	12.598, 47.050, 47.076, 84.031, and 93.859
Pass-through Agency:	Not Applicable, Direct Program
Pass-through Identification Number:	Not Applicable, Direct Program

Condition - The College did not apply the correct micro purchase threshold and were not obtaining quotes for purchases that should have been subjected to the small purchase threshold. The population between \$10k and \$20k that were improperly treated as micro purchases consisted of four transactions totaling \$50,373.

Criteria - 2 CFR 200.303(a) requires non-Federal entities to establish and maintain effective internal controls over compliance with Federal statutes, regulations, and the terms and conditions of grant agreements. 2 CFR 200.320(a) sets the micro-purchase threshold at \$10,000 and requires purchases over the micro-purchase threshold to use small purchase procedures, whereby price or rate quotations must be obtained.

Questioned Costs - Not applicable.

Effect - The College may unintentionally use a higher-cost vendor when failing to obtain price or rate quotations for items over the micro-purchase threshold.

Cause - The College adopted to follow the NM Procurement Policy in 2018 but failed to update its policy employees still followed with incorrect threshold for micro purchases.

Auditors' Recommendation - We recommend the College update its procurement policy to comply with all relevant state and local procurement requirements and review for revisions regularly.

Views of Responsible Officials and Planned Corrective Action - The College agrees and will be modifying its procurement policy to address federal requirements.

Responsible Official - Vice President for Finance & Administration, Chief Financial Officer and Chief Procurement Officer

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SECTION III: FEDERAL AWARD FINDINGS (Continued)

2022-011 – Procurement – Small Purchases – Significant Deficiency (Continued)

Timeline and Estimated Completion Date - June 30, 2023

2022-012 – Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance – Payroll – Material Weakness and Material Noncompliance

Federal Program Information

Funding Agency:	Department of Defense, National Science Foundation, Department of Education, Department of Health and Human Services – National Institute of Health
Federal Award Agreement Number:	Not Applicable
Award Year:	Fiscal year 2022
Title:	Research and Development Cluster
Assistance Listing Number:	12.598, 47.050, 47.076, 84.031, and 93.859
Pass-through Agency:	Not Applicable, Direct Program
Pass-through Identification Number:	Not Applicable, Direct Program

Condition - For nine of nine salaried employees tested, there was no time and effort documentation provided for the period under review.

Criteria - 2 CFR 200.303(a) requires non-Federal entities to establish and maintain effective internal controls over compliance with Federal statutes, regulations, and the terms and conditions of grant agreements. 2 CFR 200.430(i)(1)(vii) requires that charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed, which includes support for the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one federal award; a federal award and non-federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. In addition, 2 CFR 200.430(i)(1)(viii) indicates that budget estimates alone do not qualify as support for charges to federal awards, but may be used for interim accounting purposes, provided that (B) significant changes in the corresponding work activity are identified and entered into the records in a timely manner. Short term fluctuations between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and (C) the non-federal entity’s system of internal controls includes processes to review after-the-fact interim charges made to a federal award based on budget estimates. All necessary adjustment must be made such that the final amount charged to the federal award is accurate, allowable, and properly allocated.

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SECTION III: FEDERAL AWARD FINDINGS (Continued)

2022-012 – Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance – Payroll – Material Weakness and Material Noncompliance (Continued)

In addition, the College's grant fiscal management guide requires bi-annual reviews of time and effort certifications and related reports pertaining to split allocations of personnel charges, including the allocation of fringe benefits, will be conducted and maintained for all federal awards by the Compliance Officer.

Questioned Costs - Not applicable.

Effect - The College could over allocate payroll costs to a particular grant in which the employee did not participate.

Cause - The College could not locate the time and effort certifications for the employees selected due to transitions within the payroll and the grant monitoring functions.

Auditors' Recommendation - We recommend the College follow their policies and procedures related to time and effort certifications.

Views of Responsible Officials and Planned Corrective Action - The College agrees and states that due to staff turnover and limited staff resources time and effort certifications were partially completed, or not maintained in the Business Office central file. The College will review its central file for time and effort certifications for all required positions and correct accordingly. The College will note that federal and non-federal award expenditure reconciliations are performed monthly and as required, and this process is another control for payment validation.

Responsible Official - Vice President for Finance & Administration, Chief Financial Officer, Grant Manager, and Accountant

Timeline and Estimated Completion Date - June 3, 2023

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SECTION III: FEDERAL AWARD FINDINGS (Continued)

2022-013 – Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance – Payroll – Significant Deficiency

Federal Program Information

Funding Agency:	Department of Defense, National Science Foundation, Department of Education, Department of Health and Human Services – National Institute of Health
Federal Award Agreement Number:	Not Applicable
Award Year:	Fiscal year 2022
Title:	Research and Development Cluster
Assistance Listing Number:	12.598, 47.050, 47.076, 84.031, and 93.859
Pass-through Agency:	Not Applicable, Direct Program
Pass-through Identification Number:	Not Applicable, Direct Program

Condition - During our review of payroll related transactions, the following were noted.

- For one of 25 payroll transactions tested, the supervisor did not sign the timesheet.
- For one of 25 payroll transactions tested, the employee’s contract was not updated as of July 1, 2021 to the correct salary amount. Therefore, the employee was underpaid a total of \$475.29 during the fiscal year.

Criteria - 2 CFR 200.303(a) requires non-Federal entities to establish and maintain effective internal controls over compliance with Federal statutes, regulations, and the terms and conditions of grant agreements. 2 CFR 200.430(i)(1) requires that charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must (i) be supported by a system of internal control, which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; and (ii) be incorporated into the official records of the non-federal entity.

Questioned Costs - Not applicable.

Effect - The College may unintentionally overpay or underpay employees during their fiscal year.

Cause - The College could not locate payroll records due to transition within the payroll and HR departments. In addition, the unsigned timesheet was overlooked.

Auditors’ Recommendation - We recommend the College enhance the design of its control activities and develop procedures to ensure that employee documentation is retained and updated within the employee file and the payroll system.

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SECTION III: FEDERAL AWARD FINDINGS (Continued)

2022-013 – Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance – Payroll – Significant Deficiency (Continued)

Views of Responsible Officials and Planned Corrective Action - The College agrees with the finding and will instruct supervisors and payroll officials to receive and document all authorizations before payroll is run. Accordingly, Human Resources staff will review each contract with the rate of pay in the payroll system to ensure validation.

Responsible Official - Vice President for Finance & Administration, Chief Financial Officer, and Director of Human Resources

Timeline and Estimated Completion Date - June 30, 2023

SECTION IV: SECTION 12-6-5 NMSA 1978 FINDINGS

2022-014 (2021-009) – Late Audit Report – Other Noncompliance (Modified and Repeated)

Condition - The required submission date of the audit report for the fiscal year ended June 30, 2022, to the New Mexico State Auditor was November 1, 2022. The audit report was not submitted by the specified due date.

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

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

Effect - The College is not in compliance with the Report Due Dates prescribed in the New Mexico Administrative Code.

Cause - The College was involved with significant staffing changes during the prior audit and did not have all critical positions filled during the current fiscal year. In addition, College personnel were implementing a financial reporting system that required more attention than anticipated.

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

Views of Responsible Officials and Planned Corrective Action - The College agrees with the finding. Under the upcoming request for proposal, the College will implement an aggressive schedule to include accelerated planning, site visits and audit request submissions.

State of New Mexico
Northern New Mexico College
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SECTION IV: SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

**2022-014 (2021-009) – Late Audit Report – Other Noncompliance (Modified and Repeated)
(Continued)**

Responsible Official - Vice President for Finance & Administration and Chief Financial Officer

Timeline and Estimated Completion Date - November 1, 2023

**2022-015 (2021-011) – RHCA Overpayment Employee/Employer Contributions and Documentation and
Not Reporting 100% of Salaries – Other Noncompliance (Modified and Repeated)**

Condition - The College still has a discrepancy between what is being reported to RHCA for employee and employer contributions and what should be remitted. During fiscal year 2022, the College withheld a net amount of \$2,520.04 from employee checks and a net amount of \$19,818.36 for the employer side. The range of withholding on the employee side was between 0.29% and 1.11%. The range of withholding on the employer side was between 0.67% to 25.19%.

During the year, it was also noted that the College submitted gross wages to RHCA that were \$219,754 less than what was submitted to ERB as the deduction wages were used instead of gross. The College should ensure they have sufficient documentation and review for plan submissions.

No progress was made on the prior year finding.

Criteria - Section 10-7C-15(A) NMSA 1978 requires employer's contributions for participating employees who are not members of an enhanced retirement plan to be two percent of each participating employee's salary and for participating employees who are members of an enhanced retirement plan to be two and one-half percent of each participating employee's salary. Section 10-7C-15(B) NMSA 1978 requires employee contributions for participating employees who are not members of an enhanced retirement plan to contribute one percent of the employee's salary and participating employees who are a member of an enhanced retirement plan, to contribute one and one-fourth percent of the employee's salary.

Effect - Expenses and withholdings were not accurate at year-end.

Cause - The third party payroll processor updated their systems periodically throughout the year and the percentage deductions was changed during the process. The employees who prepared the reports did not know that the salary information should have been gross wages.

Auditors' Recommendation - The College should review the deduction reports on an ongoing basis to ensure that errors of this nature are caught in the future. In addition, the employees responsible for reviewing and approving reports should be agreeing information to support.

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION IV: SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

2022-015 (2021-011) – RHCA Overpayment Employee/Employer Contributions and Documentation and Not Reporting 100% of Salaries – Other Noncompliance (Modified and Repeated) (Continued)

Views of Responsible Officials and Planned Corrective Action - The College agrees with the finding and notes that although internal changes were made the third-party programming changes made defaulted the earlier programming corrections. The College is continuously reviewing payroll and reporting, through reconciliations, to ensure programming changes are correct and that external reporting is completed accurately.

Responsible Official - Vice President for Finance & Administration, Chief Financial Officer, Accountants, and Director of Human Resources

Timeline and Estimated Completion Date - June 30, 2023

2022-016 – Procurement Card Transactions – Other Noncompliance

Condition - During testing of procurement card transactions, the following errors were noted.

- For one of five transactions tested, a purchase in the amount of \$268 did not have supporting documentation.
- One of five transactions occurred on the former College President's procurement card after he had already left the office. Per review of the procurement card monthly statements and inquiry of management, purchases were being made on the former President's procurement card through June 30, 2022.

Criteria - Pursuant to the College's purchasing policy, all transactions must be accompanied by receipts. Additionally, all charges to the College-issued procurement cards should have a valid business purpose, which relates solely to the College.

Effect - The College is out of compliance with their internal policies and out of compliance with general state procurement rules.

Cause - Staff did not maintain receipts and thus were not able to provide the business office with the proper documentation to reconcile the monthly statements. Additionally, there was a lack of internal controls over the cancelling of the former President's procurement card upon separation from the College.

Auditors' Recommendation - We recommend the College enforce its internal policies requiring supporting documentation for all items procured on a procurement card and cancel procurement cards timely upon someone's departure.

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION IV: SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

2022-016 – Procurement Card Transactions – Other Noncompliance (Continued)

Views of Responsible Officials and Planned Corrective Action - The College agrees that sufficient support documentation, either a valid receipt or an affidavit of loss of receipts, should have accompanied the procurement in question. Additionally, for the instance noted, the president's card was reassigned to the interim president. A review of all cards and their assignments will be conducted as not all purchase cards are assigned to an individual, but rather to a department. Previously, procurement cards have been assigned to an individual or location, and are then checked out by a staff for use. The College is in the process of reviewing its policies and procurement card distribution procedures to ensure and maintain a uniform process and sufficient controls.

Responsible Official - Vice President for Finance & Administration, Chief Financial Officer, and Procurement

Timeline and Estimated Completion Date - June 30, 2023

2022-017 – Travel and Per Diem – Other Noncompliance

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

- For two of five travel and per diem transactions tested, the incorrect partial day per diem for overnight travel was utilized. In total the employee was underpaid \$26.
- For one of five travel and per diem transactions tested, the employee was not paid the correct amount for actuals and was underpaid \$6.89.
- For one of five travel and per diem transactions tested, the sample was coded to the incorrect fund and appeared to be a meal reimbursement related to travel; however, it should be paid out of the President's Discretionary Fund. The total amount was \$88.94.

Criteria - 10-8-4(C) and 10-8-4(L) NMSA 1978 require employees to be reimbursed for actual expenses for meals and incidentals not to exceed the maximum amounts for in-state and out-of-state travel established by the department of finance and administration for the fiscal year in which the travel occurs. For return from overnight travel, employees are eligible for a prorated per diem amount.

Effect - Noncompliance with the provisions of NMSA 1978.

Cause - The statutes were updated to take effect on July 1, 2021; however, the College did not become aware of the changes until later in the year after the travel had occurred.

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

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION IV: SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

2022-017 – Travel and Per Diem – Other Noncompliance (Continued)

Views of Responsible Officials and Planned Corrective Action - The College concurs with the finding, and does note that internal application of changes in per diem rates were not timely made. The College has since corrected the rates. Accordingly, the College does provide travel training at least once during the academic year, but will perform an internal review and training on the updated rules and rates in order to enhance internal controls and compliance.

Responsible Official - Vice President for Finance & Administration, Chief Financial Officer, and Procurement

Timeline and Estimated Completion Date - June 30, 2023

SECTION V: COMPONENT UNIT FINDINGS

Northern New Mexico College Foundation

2022-018 (2021-012) – Bank Reconciliations – Timeliness and Accuracy – Material Weakness (Modified and Repeated)

Condition - The Northern New Mexico College Foundation (the “Foundation”) did not timely reconcile and review bank accounts throughout the year, which caused various accounts to not be reconciled until months after year-end. In addition, the reconciliations were not accurate as an outstanding check was included within the wrong bank reconciliation.

The Foundation did not implement their prior year corrective action plan, which resulted in a current year finding.

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

Effect - Not reconciling and reviewing cash accounts timely and thoroughly on a monthly basis creates the opportunity for errors or inappropriate transactions to occur undetected. Carrying numerous reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Cause - The Foundation did not have the personnel or procedures in place to prepare the bank reconciliations on a timely basis.

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION V: COMPONENT UNIT FINDINGS (Continued)

Northern New Mexico College Foundation (Continued)

2022-018 (2021-012) – Bank Reconciliations — Timeliness and Accuracy — Material Weakness (Modified and Repeated) (Continued)

Auditors' Recommendation - We recommend bank reconciliations be prepared for all bank accounts for the Foundation on a monthly basis with another responsible individual reviewing these reconciliations. A schedule of all bank account reconciliations should be kept in order to inform management and those in charge of governance their current status.

Views of Responsible Officials and Planned Corrective - The Foundation hired a contract bookkeeper during late fall 2021 to perform monthly bank reconciliations. The reconciliations are performed monthly and submitted to Foundation staff. The Foundation staff will closely monitor the accuracy of the statements. Additionally, the Foundation will seek technical assistance from the College for the review process.

Responsible Official - Foundation Treasurer

Timeline and Estimated Completion Date - March 31, 2023

2022-019 (2021-013) – Account Reconciliation and Analysis — Material Weakness (Modified and Repeated)

Condition - The following adjusting journal entries were required after the accounting records were closed at year-end.

- The Foundation did not properly accrue a \$5,000 entry related to receivables and unearned revenue.
- An entry was required to reduce and reverse an amount payable to the primary government in the amounts of \$58,358 and \$32,773 in order to properly present the ending balance.

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

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

Effect - Various account balances of the Foundation were overstated or understated prior to adjustments being made.

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION V: COMPONENT UNIT FINDINGS (Continued)

Northern New Mexico College Foundation (Continued)

2022-019 (2021-013) – Account Reconciliation and Analysis — Material Weakness (Modified and Repeated) (Continued)

Cause - The Foundation's current general ledger account reconciliation processes do not include timely reconciliation of all significant account balances.

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

Views of Responsible Officials and Planned Corrective - The Foundation concurs and contracted an accounting firm to perform the trial balance maintenance, but did not do so timely. The Foundation will solicit and obtain contractual services timely to perform the account maintenance.

Responsible Official - Foundation Treasurer

Timeline and Estimated Completion Date - June 30, 2023

2022-020 (2021-014) – Endowment Listing—Material Weakness and Material Noncompliance (Modified and Repeated)

Condition - The Foundation does not have a complete endowment listing at June 30, 2022. Therefore, the classification of net position could not be broken out between nonexpendable and expendable.

Criteria - The COSO Internal Control Integrated Framework provides guidelines for designing and implementing a system of internal controls that incorporates five necessary components of internal controls. These five components consist of the control environment, risk assessment, control activities, information and communication, and monitoring. Good accounting practices require the Foundation to implement and follow sound accounting and internal control policies and procedures.

Effect - The Foundation could potentially have an incomplete listing of their endowments.

Cause - Due to high turnover and lack of policies and procedures in the Foundation.

Auditors' Recommendation - We recommend the Foundation compile a complete endowment listing and have supporting documentation to support the amounts included.

Views of Responsible Officials and Planned Corrective - The Foundation agrees with the finding, and has sought assistance to perform the review of the endowment listing. The review started in February 2023, with the completion set for March 2023. The reviewed listing will then be submitted to the Foundation Board for review and approval.

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION V: COMPONENT UNIT FINDINGS (Continued)

Northern New Mexico College Foundation (Continued)

2022-020 (2021-014) – Endowment Listing—Material Weakness and Material Noncompliance (Modified and Repeated) (Continued)

Responsible Official - Foundation Treasurer

Timeline and Estimated Completion Date - June 30, 2023

2022-021 – Lack of Internal Controls over Expenditures — Other Matter

Condition - While reviewing payments made by the Foundation during fiscal year 2022, the following was noted.

- The Foundation made a payment for \$45,000; however, the invoice was for \$53,708. This resulted in an overpayment of \$292.
- The Foundation made another payment for \$1,409.55; however, the support was for \$250. This resulted in an overpayment of \$1,159.55.

Criteria - The COSO 2013 Internal Control Integrated Framework provides guidelines for designing and implementing a system of internal controls that incorporates five necessary components of internal controls. These five components consist of the control environment, risk assessment, control activities, information and communication, and monitoring. Good accounting practices require the Foundation to implement and follow sound accounting and internal control policies and procedures, which would include reviewing supporting documentation when signing checks for payment.

Effect - Expenditures of the Foundation were overstated as payments were made in excess of the support.

Cause - The Foundation received multiple documents that were used to prepare the disbursements; however, the amounts used were not the correct amounts.

Auditors' Recommendation - The Foundation should implement a control in which personnel responsible for authorizing and approving payment review all supporting documentation prior to payment.

Views of Responsible Officials and Planned Corrective Action - The Foundation will require a further review of documents used in the finding; however, the Foundation agrees that another level of oversight is warranted to ensure the accuracy of the disbursements. The Foundation will seek the assistance of the College to perform the level of control.

Responsible Official - Foundation Treasurer

Timeline and Estimated Completion Date - June 30, 2023

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION V: COMPONENT UNIT FINDINGS (Continued)

Northern New Mexico College Foundation (Continued)

2022-022 (2021-015) – Late Audit Report – Other Noncompliance (Modified and Repeated)

Condition - The required submission date of the audit report for the fiscal year ended June 30, 2022, to the New Mexico State Auditor was November 1, 2022. The audit report was not submitted by the specified due date.

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

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

Effect - The Foundation is not in compliance with the Report Due Dates prescribed in the New Mexico Administrative Code.

Cause - The Foundation's financial software system only included cash in bank transactions and did not include all accounts held by the Foundation. In addition, College personnel were implementing a financial reporting system that required more attention than anticipated.

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

Views of Responsible Officials and Planned Corrective Action - The Foundation agrees with the finding, and during the next solicitation of bids of the upcoming request for proposal for audit services will along with the College require accelerated timelines to start the audit so that it may be completed by the due date. Accordingly, the Foundation will solicit and obtain contractual services needed for the timely preparation of the trial balance.

Responsible Official - Foundation Treasurer

Timeline and Estimated Completion Date - November 1, 2023

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION V: COMPONENT UNIT FINDINGS (Continued)

Northern New Mexico College Foundation (Continued)

2022-023 – 990 Tax Returns Not Filed — Other Noncompliance

Condition - Per review of the Internal Revenue Service's (IRS) tax exempt organization search, the Foundation's last tax return on file is for tax year 2019. Therefore, the tax returns for tax years 2020 and 2021 have not been filed as of March 21, 2023.

Criteria - Per the IRS publication 4839, the tax return is due on the 15th day of the fifth month after the end of the organization's fiscal year or November 15th, 2021 (tax year 2020) and November 15th, 2022 (tax year 2021). The due date can be extended for six months, without showing cause by filing Form 8868 before the due date.

Effect - The Foundation could lose their tax-exempt status if it does not file a required return or notice for three consecutive years as it will be automatically revoked as of the due date of the third unfiled return. In addition, the Foundation could be required to pay penalties for each day the return is late.

Cause - The Foundation did not submit the returns timely due to a change in management and a change in practice for non-audit services.

Auditors' Recommendation - The Foundation should work with their tax preparers to ensure that the tax returns get submitted and completed as soon as possible.

Views of Responsible Officials and Planned Corrective Action - The Foundation concurs with the finding, and contracted with an accounting firm in late fall 2023 to perform the 990 tax filings. The filings for all three years are expected to be completed by the end of the current fiscal year if not sooner.

Responsible Official - Foundation Treasurer

Timeline and Estimated Completion Date - June 30, 2023

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION V: COMPONENT UNIT FINDINGS (Continued)

Northern New Mexico Eagle Corporation

2022-024 (2021-016) – Account Reconciliation and Analysis—Material Weakness (Modified and Repeated)

Condition - The following adjusting journal entries were required to properly state balances at year-end.

- The final balances from the prior fiscal year, which included an adjustment to due from primary government (\$300,000), deferred tax asset (\$2,303), due to primary government (\$9,359), Income taxes payable (\$2,303) and unrestricted net position (\$290,641).
- An adjustment to properly state accounting software costs in the amount of \$997.
- Adjustments to close out the Corporation's balance sheet items and record the distribution to the College at June 30, 2022.

No progress was made to the prior year finding.

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

Effect - Account balances of the Corporation were understated prior to adjustments being made.

Cause - The Corporation's current general ledger account reconciliation processes do not include timely reconciliation of all significant account balances.

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

Views of Responsible Officials and Planned Corrective - The Corporation agrees with the finding. Although the number of the transactions of the Corporation are a few, management will make diligent efforts to posts transactions timely.

Responsible Official - Corporation President and Corporation Treasurer

Timeline and Estimated Completion - June 30, 2023

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION V: COMPONENT UNIT FINDINGS (Continued)

Northern New Mexico Eagle Corporation (Continued)

2022-025 (2021-017) – Late Audit Report – Other Noncompliance (Modified and Repeated)

Condition - The required submission date of the audit report for the fiscal year ended June 30, 2022, to the New Mexico State Auditor was November 1, 2022. The audit report was not submitted by the specified due date.

Progress was not made on the audit finding from the prior fiscal year.

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

Effect - The Corporation is not in compliance with the Report Due Dates prescribed in the New Mexico Administrative Code.

Cause - The College was involved with significant staffing changes during the prior audit and did not have all critical positions filled during the current fiscal year. In addition, College personnel were implementing a financial reporting system that required more attention than anticipated.

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

Views of Responsible Officials and Planned Corrective - The Corporation agrees with the finding. Efforts will be made to prepare all regular and adjusting entries, if any, for the timely submission of the audit report.

Responsible Official - Corporation President and Corporation Treasurer

Timeline and Estimated Completion - June 30, 2022

State of New Mexico
Northern New Mexico College
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION VI: SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Financial Statement Findings

- 2021-001 – Capital Assets – Material Weakness and Other Noncompliance – Modified and Repeated
- 2021-002 – Financial Policies and Procedures – Material Weakness – Modified and Repeated
- 2021-003 – Trial Balance Maintenance and Account Reconciliation – Material Weakness – Modified and Repeated
- 2021-004 – Information Technology (IT) – Significant Deficiency – Modified and Repeated

Federal Award Findings

- 2021-005 – Special Tests and Provisions – Enrollment Reporting – Material Weakness and Material Noncompliance – Modified and Repeated
- 2021-006 – Special Tests and Provisions – SAS Reconciliation – Significant Deficiency – Resolved
- 2021-007 – Special Tests and Provisions – Disbursements to on Behalf of Students – Significant Deficiency – Resolved
- 2021-008 – Reporting – Quarterly Public Reporting – Material Weakness and Material Noncompliance – Modified and Repeated

Section 12-6-5 NMSA 1978

- 2021-009 – Late Audit Report – Other Noncompliance – Modified and Repeated
- 2021-010 – Outstanding Checks and Pledged Collateral Requirements – Other Noncompliance – Modified and Repeated
- 2021-011 RHCA Overpayment Employee/Employer Contributions and Documentation – Other Noncompliance – Modified and Repeated

Component Unit Findings – Foundation

- 2021-012 Bank Reconciliations – Timeliness and Accuracy – Material Weakness – Modified and Repeated
- 2021-013 Account Reconciliation and Analysis – Material Weakness – Modified and Repeated
- 2021-014 – Endowment Listing – Other Noncompliance – Modified and Repeated
- 2021-015 – Late Audit Report – Other Noncompliance – Modified and Repeated

Component Unit Findings – Corporation

- 2021-016 – Account Reconciliation and Analysis – Material Weakness – Modified and Repeated
- 2021-017 – Late Audit Report – Other Noncompliance – Modified and Repeated

State of New Mexico
Northern New Mexico College
Other Disclosures
June 30, 2022

EXIT CONFERENCE

The contents of this report and its schedules related to the College and its component units were discussed on March 20, 2023. The following individuals were in attendance:

Northern New Mexico College

Michael Martin	President, Board of Regents
Hector Balderas, J.D., CFE	President
Ivan Lopez Hurtado, Ph.D.	Provost
Denise Montoya	Chief of Staff/Vice President for Finance and Administration
Theresa Storey	Chief Financial Officer/Compliance Officer
C. Vince Lithgow, MBA, CGFM	Accountant IV
Evette Abeyta	Budget Director
Bryan Maestas, CGFM	Comptroller

Northern New Mexico College Foundation

Alfred Herrera	Foundation President
Hector Balderas, J.D., CFE	Ex-Officio Member
Denise Montoya	Ex-Officio Member

Northern New Mexico College Eagle Corporation

Hector Balderas, J.D., CFE	Secretary, Corporation
Denise Montoya	Treasurer, Corporation

Carr, Riggs & Ingram, LLC

Alan D. Bowers, Jr., CPA, CITP	Partner
Sara Specht, CPA, CFE, CGFM	Manager

AUDITOR PREPARED FINANCIALS

Carr, Riggs & Ingram, LLC prepared the GAAP-basis financial statements and footnotes of the College from the original books and records provided to them by the management of the College. The responsibility for these financial statements remains with the College.