



FINANCIAL STATEMENTS AND SCHEDULES 2018 | 2017



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Table of Contents

Financial Statements and Schedules June 30, 2018 and 2017

Official Roster.....	1
Chancellor's Letter (unaudited).....	2
Independent Auditors' Report.....	3
Management's Discussion and Analysis (unaudited).....	6

Basic Financial Statements

Statements of Net Position.....	17
Statements of Revenues, Expenses, and Changes in Net Position.....	19
Statements of Cash Flow.....	21
Notes to the Financial Statements.....	23

Supplemental Schedules

Schedule 1 - Combining Statements of Net Position for the Years Ended June 30, 2018 and 2017 for the Primary Institution.....	72
Schedule 2 - Combining Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2018 and 2017.....	74
Schedule 3 - Budgetary Comparison Schedules for the Year Ended June 30, 2018.....	76
Schedule 4 - Bank Balances, Pledged Collateral Requirements, and Pledged Collateral by Financial Institution - June 30, 2018	80

Required Supplementary Information (unaudited)

Schedule 5- Schedule of Changes in Net Other Post-Employment Benefits liability and Related Ratios.....	82
Schedule 6- Schedule of Proportionate Share of Net Pension Liability and Employer Contributions.....	83

Single Audit Information

Schedule 7- Schedule of Expenditures of Federal Awards.....	84
Report of Independent Auditors 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.....	94
Report of Independent Auditors on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	96
Schedule of Findings and Questioned Costs.....	98
Summary Schedule of Prior Audit Findings.....	104
Exit Conference	105

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October 19, 2018

It is my pleasure to share the annual financial report of New Mexico State University (the University) for the fiscal years (FYs) ended June 30, 2017 and 2018. I could not be more pleased nor inspired to be returning to my Alma Mater where I have so many fond memories and where the foundation was laid for my professional journey. I come with a great deal of Aggie pride and spirit.

The accompanying financial statements of the University are prepared in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board. KPMG LLP, independent auditors, has examined the financial statements, and their unmodified opinion is presented beginning on page 3 of the report. The financial and physical resource management of the University is guided by its top-level priorities.

As a land-grant Hispanic serving institution, our top-level priorities are to improve student success, elevate research and creativity and to amplify our outreach and economic development – a set of metrics will guide these priorities. As we continue our sound fiscal management we will consider further efficiencies and productivity improvements as needed, and additional structural or organizational changes to reallocate funds and continue to effectively utilize our extensive resources. Our strategic intent is that we will be a student-centric university, known for excellence in scholarship and to be a catalyst for economic development and place-based innovation.

Our Aggie pride and spirit is apparent all over our beautiful campuses as we continue to enhance the learning experiences of students through world-class facilities. A new arts complex, Devasthali Hall and new 300 bed freshman residence hall are under construction with planned openings for fall 2019.

New Mexico's economic situation has changed significantly over the past year, the state appropriation for FY 2019 increased \$2.5 million for operations and \$2.9 million for compensation to allow for a 2% increase in faculty and staff salaries. The outlook in the future is even more promising. In August 2018 the New Mexico Legislative Finance Committee indicated favorable revenue projections for the state of New Mexico due to the oil and gas industry, projecting a \$1.2 billion increase in available funding for FY 2020.

I want to ensure stakeholders that we will properly prioritize, leverage our assets, and put us on a sustainable path to make the NMSU System more efficient, effective, and the exemplar for others to follow nationally and globally. We will do so at the highest levels of achievement, impacting lives in the communities we serve.

Sincerely,



Dan E. Arvizu, Ph.D.
Chancellor



KPMG LLP
Two Park Square, Suite 700
6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179

Independent Auditors' Report

Board of Regents
New Mexico State University
and
Mr. Wayne Johnson, New Mexico State Auditor:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and the discretely presented component unit of New Mexico State University (the University), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the discretely presented component unit of New Mexico State University, as of June 30, 2018 and 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, effective July 1, 2017, the University adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Only Presents Financial Information for the University

As discussed in Note 2, the financial statements of the University are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of the State of New Mexico that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2018 and 2017, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, the Schedule of Changes in Net Other Post-Employment Benefits liability and Related Ratios (schedule 5) and the Schedule of Proportionate Share of Net Pension Liability and Employer Contributions (schedule 6), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying Chancellor's Letter, Combining Statement of Net Position (schedule 1), Combining Statement of Revenues, Expenses, and Changes in Net Position (schedule 2) Budgetary Comparison Schedules (schedule 3), Bank Balances, Pledged Collateral Requirements, and Pledged Collateral by Financial Institution (schedule 4), and 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* (schedule 7), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Combining Statement of Net Position (schedule 1), Combining Statement of Revenues, Expenses, and Changes in Net Position (schedule 2) Budgetary Comparison Schedules (schedule 3), Bank Balances, Pledged Collateral Requirements, and Pledged Collateral by Financial Institution (schedule 4), and Schedule of Expenditures of Federal Awards (schedule 7) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such



information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Net Position (schedule 1), Combining Statement of Revenues, Expenses, and Changes in Net Position (schedule 2) Budgetary Comparison Schedules (schedule 3), Bank Balances, Pledged Collateral Requirements, and Pledged Collateral by Financial Institution (schedule 4), and Schedule of Expenditures of Federal Awards (schedule 7) are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 on our consideration of the University'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 University'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 University's internal control over financial reporting and compliance.

KPMG LLP

Albuquerque, New Mexico
December 12, 2018

**Management's Discussion and Analysis
For the Years Ended June 30, 2018 and 2017
(Unaudited)**

Overview of Financial Statements and Financial Analysis

Management's Discussion and Analysis is designed to provide an easily readable analysis of New Mexico State University's (the University) financial activities for the fiscal years ended June 30, 2018 and 2017. This overview is based on facts, decisions and conditions known as of the date of the independent auditors' report. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Please read this analysis in conjunction with the University's financial statements and accompanying notes to the financial statements. Separately issued component unit financial statements are available as detailed in Note 11.

Using This Annual Report

The Statement of Net Position provides information about the University's financial condition at fiscal year end. It presents both a current year synopsis and a longer-term view of the University's assets, liabilities and net position. Readers of the Statement of Net Position have the information to determine the assets available to continue the operations of the University. They can also determine how much the University owes to vendors, investors and lending institutions. Finally, the Statement of Net Position outlines the net position (assets minus liabilities) available to the University and defines that availability.

The Statement of Revenues, Expenses, and Changes in Net Position should be used to review the results of the current year's operations. Changes in total net position, as presented in the Statement of Net Position, are based on the activities presented in this statement. The purpose of the statement is to present the revenues earned by the University and the expenses incurred by the University and any other revenues, expenses, gains and losses earned or incurred by the University. Non-operating revenues include state appropriations revenue, federal Pell grant revenue, state lottery scholarship revenue, local tax levy revenue, gift revenue, and interest earned on operating balances. The line item entitled "Loss before other revenues" may give a more complete picture of the results of the University's operations during the year, including income resulting from non-exchange transactions. A non-exchange transaction is one in which the University receives value or benefit from a third party without directly providing equal value in exchange, such as in receipt of a donation.

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the fiscal year. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used by operating activities. The second section includes cash flows from non-capital financing activities. It includes the cash received and spent for non-operating, non-investing and non-capital financing purposes. The third section includes cash flows from capital and related financing activities. This section includes the cash used for the acquisition and construction of capital and related items. The fourth section includes the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth and final section reconciles the net cash used for operations to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Footnote information provides additional detail on the University's overall accounting practices and individual statement line items, including a natural classification report of operating expenses.

Additional information may be obtained by contacting the Office of the Senior Vice President for Administration and Finance at 575-646-2431 or boffice@nmsu.edu.

For the years ended June 30, 2018, 2017 and 2016, the University's financial position was as follows:
(In thousands)

Condensed Net Position

	June 30, 2018	June 30, 2017	June 30, 2016
ASSETS			
Current assets	\$ 126,048	\$ 103,736	\$ 109,860
Capital assets, net	494,320	502,900	504,968
Other non-current assets	192,913	163,784	226,784
TOTAL ASSETS	813,281	770,420	841,612
DEFERRED OUTFLOWS OF RESOURCES	246,880	70,110	45,437
LIABILITIES			
Current liabilities	60,994	63,591	65,229
Pension liability	750,674	507,688	473,733
Other non-current liabilities	298,413	152,032	166,387
TOTAL LIABILITIES	1,110,081	723,311	705,349
DEFERRED INFLOWS OF RESOURCES	42,046	24,850	22,874
NET POSITION			
Net investment in capital assets	386,310	396,577	390,726
Restricted	58,270	64,187	134,608
Unrestricted	(536,546)	(368,394)	(366,508)
TOTAL NET POSITION	\$ (91,966)	\$ 92,370	\$ 158,826

Condensed Revenues, Expenses, and Changes in Net Position

OPERATING REVENUES			
Federal appropriations, grants, and contracts	\$ 82,542	\$ 89,478	\$ 90,638
Student tuition and fees (net)	66,520	67,125	71,294
Other operating revenues	58,835	65,103	64,461
TOTAL OPERATING REVENUES	207,897	221,706	226,393
OPERATING EXPENSES			
Instruction	164,631	147,434	151,325
Research	92,299	86,442	92,090
Other operating expenses	315,164	293,937	295,794
TOTAL OPERATING EXPENSES	572,094	527,813	539,209
Net operating loss	(364,197)	(306,107)	(312,816)
Non-operating revenues and expenses	268,007	278,743	288,807
Loss before other revenues	(96,190)	(27,364)	(24,009)
Other revenues	12,928	23,368	42,650
Increase (Decrease) in net position	(83,262)	(3,996)	18,641
Net position at beginning of year	92,370	158,826	140,185
Net Effect of Change In Accounting Principle	(101,074)	(62,460)	-
Beginning of year, as restated	(8,704)	96,366	140,185
Net position at end of year	\$ (91,966)	\$ 92,370	\$ 158,826

General Overview for 2018 and 2017

In fiscal year 2018, total assets of the institution increased by \$43 million primarily related to investments of bond proceeds and deferred outflows increased by \$177 million, due to the changes in assumptions related to the pension liability. Total liabilities increased by \$387 million and deferred inflows increased by \$17 million. The Governmental Accounting Standards Board (GASB) Statement No. 75, which replaced the requirements of GASB No. 45, was implemented in fiscal year 2018, and resulted in the recognition of the total Other Post Employment Benefit (OPEB) liability as opposed to an amortized portion and the annual OPEB expense replaced the Annual Required Contribution (ARC).

The more significant changes in the Statement of Net Position include:

- ✚ Increases in the pension liability of \$243 million, and the related changes in deferred outflows and deferred inflows. These items are related to the adjustments made to the pension liability as required by GASB 68.
- ✚ Increase in the other post-employment benefit liability of \$100 million, and the related change in deferred inflows.
- ✚ Increase in investments of \$47 million and long term bonds and contracts liabilities of \$43 million.

The operations discussed below contributed to the decrease in net position. Additional information related to these changes is discussed in more detail later in this section.

Primary components that added to the \$83.8 million net decrease in net position from the prior year before the net effect of the change in accounting principle include:

- ✚ An increase in pension expense of \$67.4 million
- ✚ A decrease in capital revenues of \$10.8 million.
- ✚ Decrease in state appropriations of \$2.6 million.

The decreases were offset in part by the following:

- ✚ Decrease in instruction expense, prior to the allocated pension expense, of \$9.2 million.
- ✚ Increase in Federal Pell grants of \$1.5 million.

The Statement of Cash Flows shows a net increase in cash. The largest source of cash from operating activities was from grant and contract revenues, followed by tuition and fees, while the largest source of cash from non-capital financing activities was from state appropriations and proceeds from bond issuance. The most significant uses of cash were for payments to employees and for employee benefits and payments to suppliers.

General Overview for 2017 and 2016

In fiscal year 2017, total assets of the institution decreased by \$71.2 million primarily related to the removal of the Land Grant and Permanent Fund (LGPF) of \$62.5 million as a result of a State of New Mexico policy change regarding the University's beneficial interest in the LGPF within the State's Comprehensive Annual Financial Report. Deferred outflows increased by \$24.7 million, liabilities increased by \$18.6 million and deferred inflows increased by \$2.0 million.

The more significant changes in the Statement of Net Position include:

- ✚ Decrease in the investments held by others of \$55 million, due primarily to the removal of the Land Grant Permanent Fund.
- ✚ Decrease in cash and cash equivalents of approximately \$6.7 million.
- ✚ Decrease in long-term liabilities of \$7.8 million, due primarily to principal payments made on outstanding revenue bonds.
- ✚ Increases in the pension liability of \$34 million, and changes in deferred outflows and deferred inflows as mentioned above. These items are related to the adjustments made to the pension liability as required by GASB 68.

The operations discussed below contributed to the decrease in net position. Additional information related to these changes is discussed in more detail later in this section.

Primary components that added to the \$22.6 million net decrease in net position from the prior year before the net effect of the change in accounting principal related to the removal of the land grant and permanent fund of \$62.5 million include:

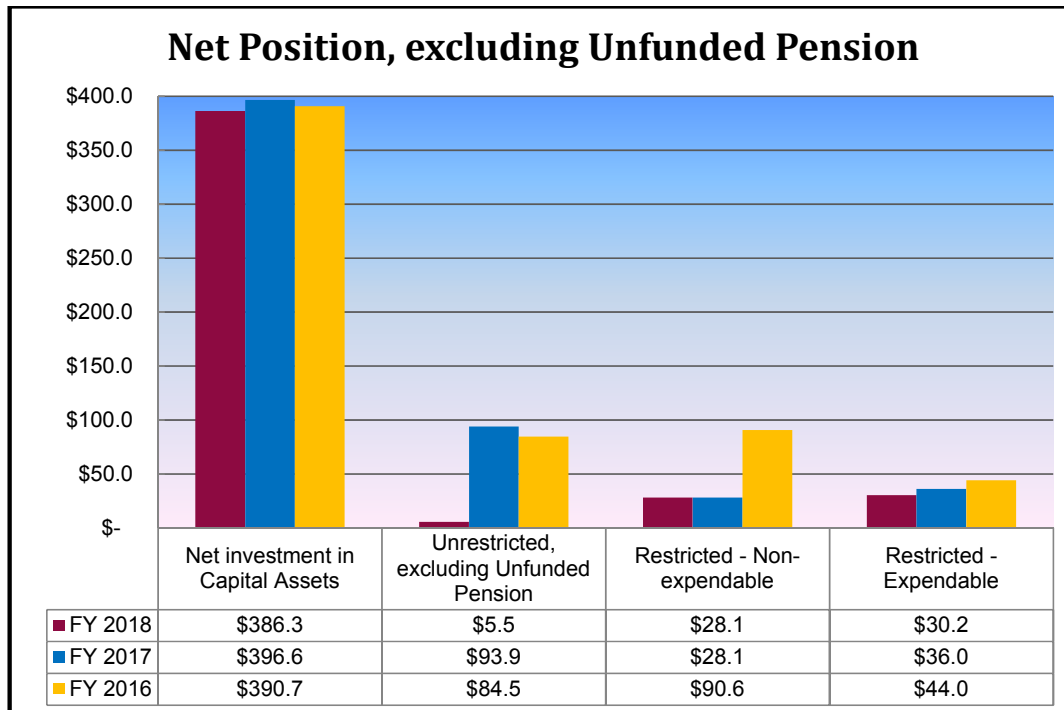
- ✚ A decrease in capital revenues of \$18.4 million.
- ✚ Decrease in state appropriations of \$14.1 million.
- ✚ Decrease in gifts and non-exchange grants of \$4.8 million resulting from the previous year's recognition of deferred revenues.
- ✚ Decrease in Federal Pell grants of \$1.4 million.

The decreases were offset in part by the following:

- ✚ A reduction in the net operating loss of \$6.7 million.
- ✚ Increases in investment income of \$6.8 million and gain on sale of land of \$2.5 million.

The Statement of Cash Flows shows a net decrease in cash. The largest source of cash from operating activities was from grant and contract revenues, followed by tuition and fees, while the largest source of cash from non-capital financing activities was from state appropriations. The most significant uses of cash were for payments to employees and for employee benefits and payments to suppliers.

The following graph illustrates the comparison of net position (in millions) by category for fiscal years 2018, 2017 and 2016. The effect of the implementation of GASB 68 related to the net unfunded pension liability has been excluded from the graph to provide a clearer picture of the unrestricted net position. The significant drop in Unrestricted in fiscal year 2018 was due to the recognition of additional OPEB liability for GASB 75. The decrease in Restricted – Non-expendable in fiscal years 2018 and 2017 was due to the removal of the Land Grant Permanent Fund.



Operating Revenues for 2018 and 2017

Net operating revenues declined by \$13.8 million in fiscal year 2018 compared to 2017. The main contributor to the loss was a decrease in federal appropriations, grants and contracts one of the larger operating revenue sources, which decreased by approximately \$7 million or 7.8%.

Other changes in operating revenues were as follows:

- ✚ Decrease in state grants and contracts of \$5.1 million (31%) related to the New Mexico LEAD, SSIG Leap Awards and State Workstudy.
- ✚ Decrease in other operating revenues of \$1.7 million, which can be attributed to Athletics game guarantees.

Operating Revenues for 2017 and 2016

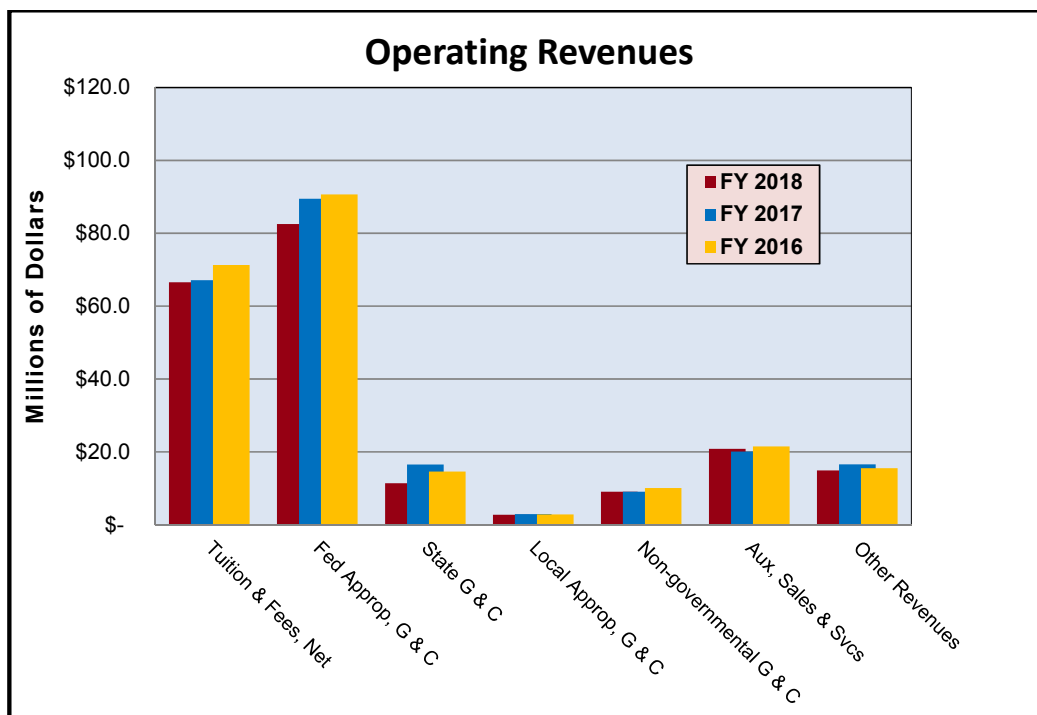
Net operating revenues declined by \$4.7 million in fiscal year 2017 compared to 2016. The main contributor to the loss was a decrease in student tuition and fees (net), one of the larger operating revenue sources, which decreased by approximately \$4.2 million or 5.8%.

Other changes in operating revenues were as follows:

- ✚ Increase in state grants and contracts of \$1.9 million (13.1%) related to the New Mexico LEAD and CORE RDA grants.
- ✚ Decrease in federal appropriations, grants and contracts of \$1.1 million, which is attributed to the Department of Defense.
- ✚ A decrease in non-governmental grants and contracts of \$1 million related to the GO Teacher Noncredit Certificate Program and Sagrapa Extension Project.

The net operating loss for fiscal year 2017 was \$306.1 million and was less than the fiscal year 2016 operating loss of \$312.8 million by \$6.7 million.

The following graph illustrates a comparison of operating revenues (in millions) by type for fiscal years 2018, 2017 and 2016.



Operating Expenses for 2018 and 2017

Operating expenses increased by \$44.3 million in fiscal year 2018 from the prior year. The increase in pension expense \$67.4 million over the prior year is a significant change in overall operating expenses. Although pension expense is allocated to the various expense functions based on salary expense, for purposes of this analysis, it has been removed in order to analyze the remaining expenses. After removing the pension expense allocation for both years, operating expenses declined by \$24 million. The largest dollar changes in operating expense, excluding pension expense, were as follows:

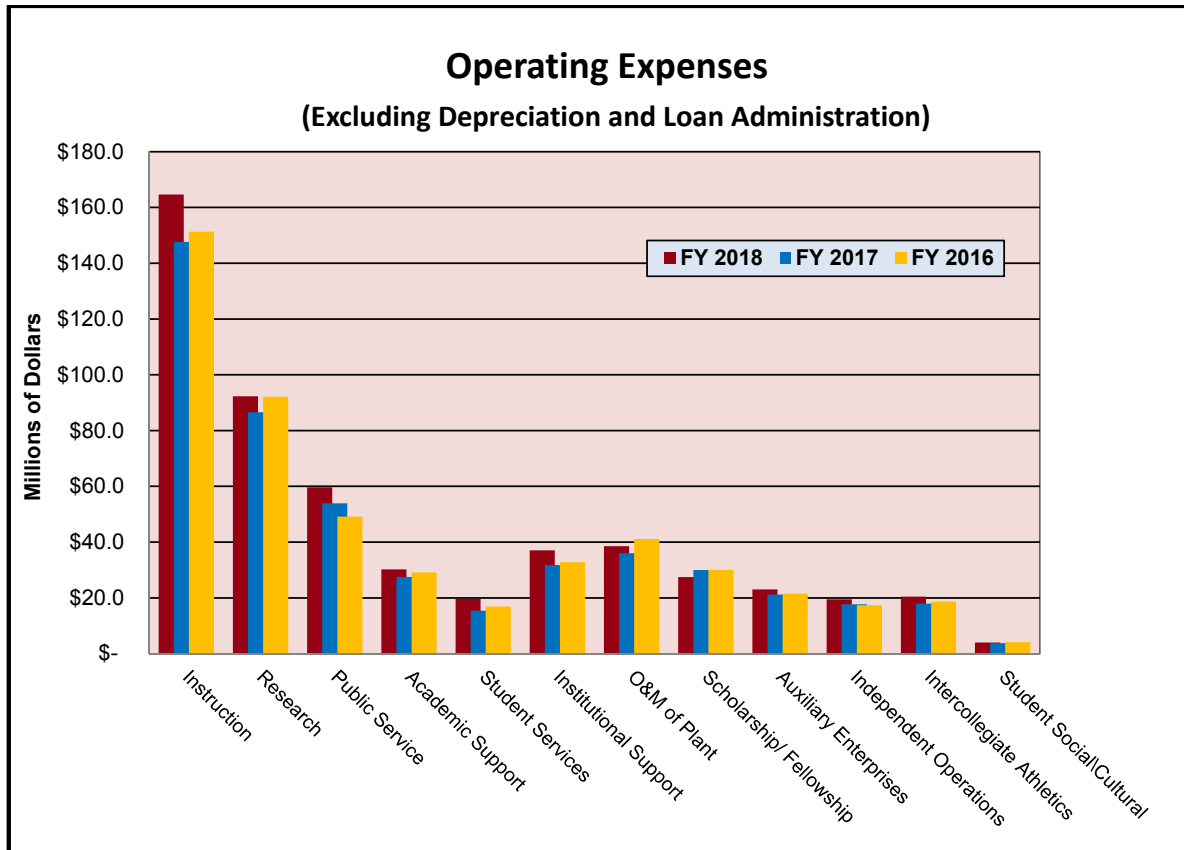
- ✚ A decrease in instruction expense of \$9.3 million, primarily related to payments to employees for salary and fringe benefits of \$4.7 million.
- ✚ A decrease in research expense of \$6.4 million, primarily related to the reduction of Department of Defense awards.
- ✚ A decrease in loan administration of \$1.7 million, due primarily to the Perkins Loans payback.
- ✚ A decrease in scholarships and fellowships of \$2.6 million.

Operating Expenses for 2017 and 2016

Operating expenses decreased by \$11.4 million in fiscal year 2017 from the prior year. The increase in pension expense and change in deferred inflows and outflows of \$4.5 million over the prior year is a significant change in overall operating expenses. Although pension expense is allocated to the various expense functions based on salary expense, for purposes of this analysis, it has been removed to better analyze the remaining expenses. After removing the pension expense allocation, the largest dollar changes in operating expense were as follows:

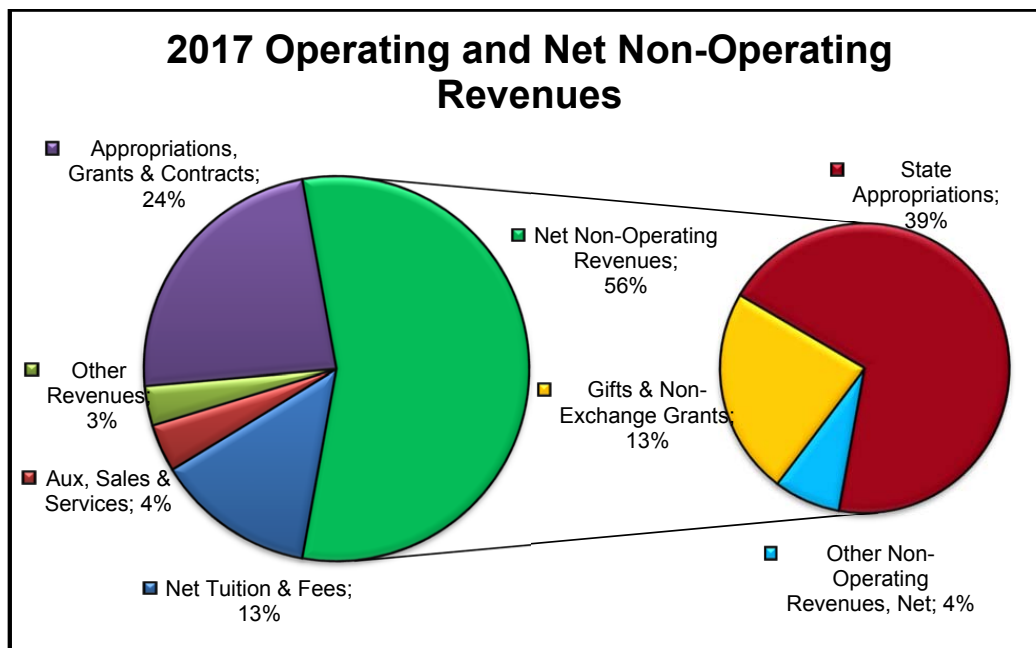
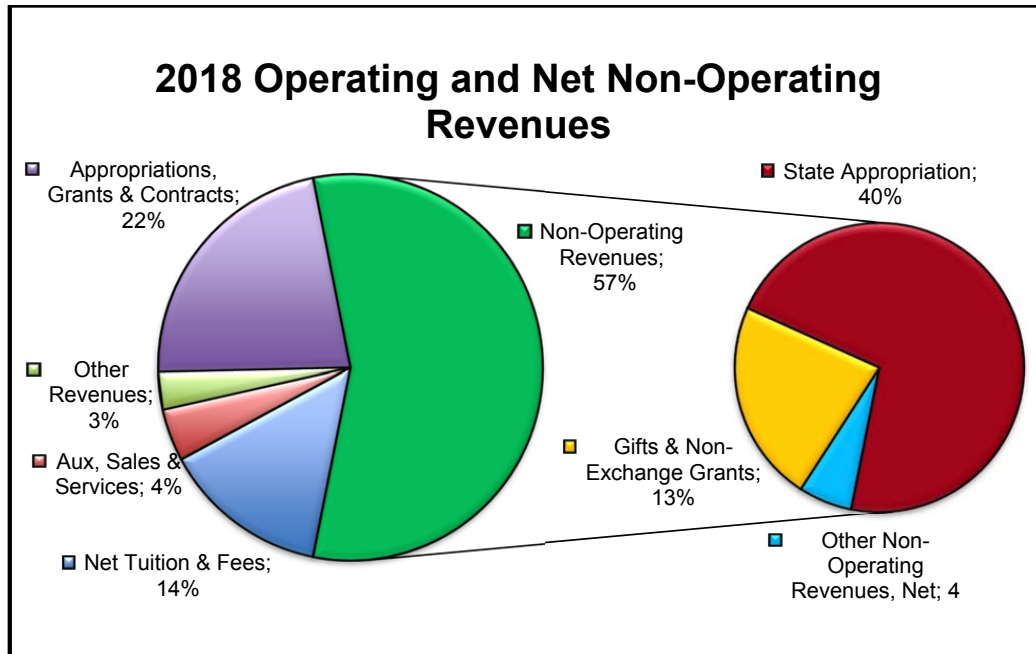
- ✚ A decrease in research expense of \$5.8 million, primarily related to the reduction of Department of Defense awards.
- ✚ A decrease in operation and maintenance of plant expense of \$5.6 million largely attributed to the University's energy performance contract.
- ✚ A decrease in instruction expense of \$5.4 million, primarily related to payments to employees for salary and fringe benefits.
- ✚ An increase in public service of \$4.6 million, due primarily to the *NM LEAD* grant in the Business College and the *Collaborating for Outstanding Readiness in Education – Results Driven Accountability* grant in the Education College.

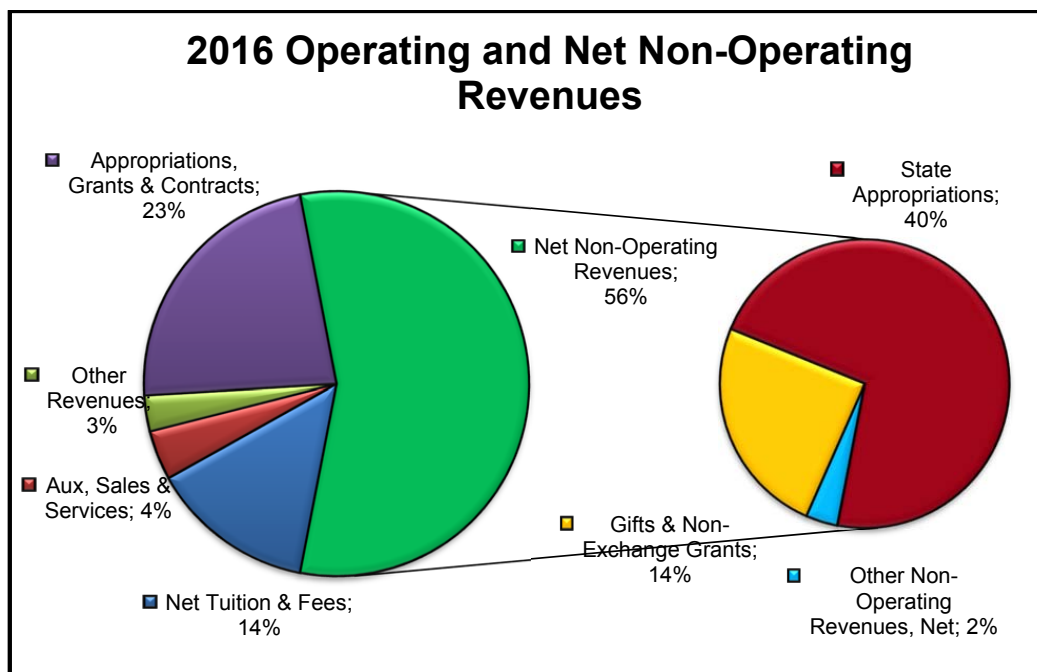
The following graph illustrates a comparison of operating expense (in millions) by function, excluding depreciation and loan administration, for fiscal years 2018, 2017 and 2016.



The Statement of Revenues, Expenses, and Changes in Net Position reflects a net loss before other revenues of \$96.8 million, \$27.3 million and \$24.0 million in fiscal years 2018, 2017 and 2016, respectively.

The following graphs reflect the University's sources of revenue available to meet current operating costs for fiscal years 2018, 2017 and 2016.





Capital Asset and Debt Administration

During fiscal year 2018, net capital assets decreased (1.7%), due to lower levels of construction and renovation activities, combined with the recording of annual depreciation expense and retirements. The projects that increased capital assets included current period expenditures for the Grants Child Development Center of \$3.6 million, construction of the new art building of \$2.6 million, construction on the new housing facility of \$2.3 million, and Corbett Center exterior improvements of \$2.2 million. In addition to construction costs, there were increases in capital assets related to capital equipment purchases of \$5.4 million and capital library purchases of \$3.3 million, which were offset by total depreciation expense of \$34.5 million. Debt from bonds and contracts increased by \$44.2 million in 2018 due to issuance of revenue bonds for capital projects and refunding of prior bonds. Previous debt of \$27.2 million were refunded from the current issuance.

During fiscal year 2017, net capital assets decreased slightly (.4%). The projects which increased capital assets included current period expenditures for construction at Jett Hall of \$7.8 million, Rentfrow Hall of \$2.5 million, and renovation and improvements at DACC Central and East Mesa campuses totaling \$3.5 million and \$1.4 million respectively. In addition to construction costs there were increases in capital assets related to capital equipment purchases of \$6.5 million and capital library purchases of \$3.3 million, which were offset by equipment, library, and software retirements of \$4.3 million, and net accumulated depreciation of \$29.3 million.

Budget Comparison

In comparing the total original budgeted revenue to the revised budgeted revenue for fiscal year 2018, there was a net increase of approximately \$15.6 million, and an increase of approximately \$24.5 million in revised budgeted expenditures. The significant changes to the revenue budget were in other sources of revenue and private gifts revenue, offset by reduction in tuition and fees revenue. The increase in projected revenues for other sources is primarily as a result of increases in capital outlay projects related to anticipated progress on capital projects. Projections indicated an increase in private gifts revenue. The offsetting revenue decrease was projected for tuition and fees as a result of a moderate decline in enrollment.

Actual revenues earned in fiscal year 2018 were lower than the revised budget by \$32 million and actual expenditures were lower than the revised budget by \$53.6 million. The main contributors to the revenue budget variance were federal

revenue and other sources (93% of the variance) and the main contributors to the expense budget variance were in the instruction; Student Aid, Grants & Stipends; and capital outlay (53% of the variance). Because the University budgets capital projects in their entirety, multi-year projects may result in mismatches of budget to actual revenues and expenses in any one year. Total operating expenditures were less than revenues, resulting in an increase in the overall fund balance of \$4.8 million. As the decline in revenues was offset by a decline in expenses, the primary contributing factor to the fund balance was a decline in capital outlay and renewal and replacement expenditures offset by an increase in retirement of indebtedness expenditures.

Factors Impacting Future Periods

The University's future has several promising financial factors. While the University's state appropriation was reduced the previous two fiscal years (FYs); for FY 2019 the state appropriation increased \$2.5 million for operations and \$2.9 million for compensation that will allow for a 2% increase in faculty and staff salaries.

In August 2018, the New Mexico Legislative Finance Committee indicated favorable revenue projections for the state of New Mexico due to oil and gas revenue, projecting as much as a \$1.2 billion increase in funding for FY 2020. This favorable economic outlook for New Mexico will likely result in additional state appropriations to higher education during the spring 2019 legislative session for FY 2020. The state will also have the opportunity to address the New Mexico Educational Retirement Board's unfunded pension liability, which could result in a decrease in the University's net pension liability for FY 2020.

While the University has experienced declining enrollment over the past several years, student enrollment for Fall 2017 and again in Fall 2018 reflected improvement in first time freshmen, with increases of 11% and 10%, respectively. Fall 2017 marked the University's largest increase in this group of students in more than 17 years.

New Mexico State University
Statements of Net Position
As of June 30, 2018

	University	Discrete Component Unit
ASSETS		
Current assets		
Cash and cash equivalents	\$ 17,637,246	\$ 14,989,030
Restricted cash and cash equivalents	9,887,363	-
Cash and cash equivalents held in trust by component unit for NMSU	4,521,307	4,521,307
Cash and cash equivalents held in trust by others	3,048,643	-
Short-term investments	31,446,089	332,068
Accounts receivable, net	50,224,749	10,781,211
Due from component unit	2,132,358	-
Inventories	2,484,382	-
Prepaid expenses	3,710,978	323,188
Loans receivable - current portion, net	954,389	-
Total current assets	126,047,504	30,946,804
Non-current assets		
Unrestricted cash and cash equivalents	41,773,187	4,859,321
Restricted cash and cash equivalents	6,223,907	-
Investments held by others	-	2,788,205
Investments held in trust by component unit for NMSU	42,816,242	42,816,242
Investments held in trust for others	-	359,055
Restricted long-term investments	14,665,449	-
Other long-term investments	77,920,571	131,888,080
Loans receivable, net	9,514,499	-
Capital assets, net	494,319,652	105,643
Total non-current assets	687,233,507	182,816,546
TOTAL ASSETS	813,281,011	213,763,350
DEFERRED OUTFLOWS OF RESOURCES		
	246,879,669	-
LIABILITIES		
Current liabilities		
Accounts payable	13,389,927	125,539
Due to NMSU	-	2,132,358
Other accrued liabilities	14,813,839	-
Accrued interest payable	1,800,459	-
Held in trust for NMSU	-	4,521,307
Unearned revenue	9,759,659	414,367
Held in trust by NMSU	5,319,195	-
Long-term liabilities - current portion	15,910,776	190,871
Total current liabilities	60,993,855	7,384,442
Non-current liabilities		
Accrued benefit reserves	659,630	-
Held in trust for NMSU	-	42,816,242
Other long-term liabilities	169,377,298	2,298,202
Net pension liability	750,673,749	-
Other post-employment benefit liability	128,375,207	-
Total non-current liabilities	1,049,085,884	45,114,444
TOTAL LIABILITIES	1,110,079,739	52,498,886
DEFERRED INFLOWS OF RESOURCES		
	42,046,491	-
NET POSITION		
Net investment in capital assets	386,309,799	105,643
Restricted for:		
Non-expendable:		
Endowments	28,109,389	99,699,881
Expendable:		
Endowments	1,964,539	57,541,225
General activities	6,296,810	-
Federal student loans	12,783,937	-
Capital projects	8,039,238	-
Related entity activities	1,077,105	-
Unrestricted	(536,546,367)	3,917,715
TOTAL NET POSITION	\$ (91,965,550)	\$ 161,264,464

New Mexico State University
Statements of Net Position
As of June 30, 2017

	University	Discrete Component Unit
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,666,705	\$ 11,875,784
Restricted cash and cash equivalents	10,144,470	-
Cash and cash equivalents held in trust by component unit for NMSU	6,339,259	6,339,259
Cash and cash equivalents held in trust by others	6,619,165	-
Short-term investments	10,036,594	385,307
Accounts receivable, net	52,806,103	9,791,044
Due from component unit	1,500,977	-
Inventories	2,289,331	-
Prepaid expenses	3,235,303	312,501
Student loans receivable - current portion, net	1,103,696	-
Total current assets	103,741,603	28,703,895
Non-current assets		
Unrestricted cash and cash equivalents	38,274,357	-
Restricted cash and cash equivalents	6,319,877	11,410,763
Investments held by others	-	2,881,114
Investments held in trust by component unit for NMSU	39,071,502	39,071,502
Investments held in trust for others	-	364,501
Other long-term investments	70,179,403	116,852,875
Student loans receivable, net	9,933,269	-
Capital assets, net	502,900,397	59,610
Total non-current assets	666,678,805	170,640,365
TOTAL ASSETS	770,420,408	199,344,260
DEFERRED OUTFLOWS OF RESOURCES		
	70,110,135	-
LIABILITIES		
Current liabilities		
Accounts payable	10,409,306	66,879
Due to NMSU	-	1,500,977
Other accrued liabilities	17,696,040	-
Accrued interest payable	1,715,659	-
Held in trust for NMSU	-	6,339,259
Unearned revenue	8,466,772	430,356
Held in trust by NMSU	6,052,135	-
Long-term liabilities - current portion	19,251,356	196,882
Total current liabilities	63,591,268	8,534,353
Non-current liabilities		
Accrued benefit reserves	659,630	-
Held in trust for NMSU	-	39,071,502
Other long-term liabilities	123,417,156	2,518,601
Net pension liability	507,687,518	-
Other post-employment benefit liability	27,955,000	-
Total non-current liabilities	659,719,304	41,590,103
TOTAL LIABILITIES	723,310,572	50,124,456
DEFERRED INFLOWS OF RESOURCES		
	24,850,193	-
NET POSITION		
Net investment in capital assets	396,576,507	59,610
Restricted for:		
Non-expendable:		
Endowments	28,142,453	94,406,368
Expendable:		
Endowments	1,906,228	51,720,227
General activities	6,762,073	-
Federal student loans	14,302,898	-
Capital projects	12,277,620	-
Related entity activities	795,809	-
Unrestricted	(368,393,810)	3,033,599
TOTAL NET POSITION	\$ 92,369,778	\$ 149,219,804

New Mexico State University
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

	University	Discrete Component Unit
REVENUES		
Operating revenues:		
Student tuition and fees (gross)	\$ 108,816,066	\$ -
Less: scholarship allowances	(42,295,668)	-
Student tuition and fees (net)	66,520,398	-
Federal appropriations, grants and contracts	82,542,027	-
State grants and contracts	11,387,324	-
Local appropriations, grants and contracts	2,712,130	-
Non-governmental grants, contracts and gifts	9,023,251	15,492,458
Sales and services	6,106,044	1,791,008
Auxiliary enterprises (net of scholarship allowances)	14,733,291	-
Other operating revenues	14,872,592	-
Total operating revenues	207,897,057	17,283,466
EXPENSES		
Operating expenses:		
Instruction	164,630,659	-
Research	92,298,663	-
Public service	59,650,388	-
Academic support	30,182,089	-
Student services	19,623,830	-
Institutional support	37,007,447	-
Operation and maintenance of plant	38,522,138	-
Scholarships and fellowships	27,490,837	-
Auxiliary enterprises	23,052,121	-
Independent operations	19,447,085	-
Intercollegiate athletics	20,450,904	-
Student social and cultural	4,007,265	-
Loan administration (net)	1,214,656	-
Depreciation	34,515,035	28,882
Other operating expenses	-	14,065,753
Total operating expenses	572,093,117	14,094,635
Net operating income (loss)	(364,196,060)	3,188,831
Non-operating revenues (expenses):		
State appropriations	190,893,756	-
Federal Pell grants	41,162,544	-
State lottery scholarship	9,983,665	-
Local tax levy revenue	14,440,619	-
Gifts and non-exchange grants	9,292,924	-
Investment income (loss)	1,825,340	9,127,770
Land lease and permanent fund revenue	4,321,577	-
Building fees	4,815,669	-
Loss on disposal of plant	(1,698,579)	-
Additions to quasi endowments	78,786	-
Interest and other expenses on capital asset-related debt	(6,457,869)	-
Other non-operating revenues (expenses)	(651,669)	(271,941)
Net non-operating revenues	268,006,763	8,855,829
Income (loss) before other revenues	(96,189,297)	12,044,660
Capital appropriations	7,633,119	-
Capital grants, gifts, and other income	2,694,375	-
Additions to permanent endowments	2,600,444	-
Increase (decrease) in net position	(83,261,359)	12,044,660
NET POSITION		
Beginning of year, as previously reported	92,369,778	149,219,804
Change in accounting principle (Note 2)	(101,073,969)	-
Beginning of year, as restated	(8,704,191)	-
End of year	\$ (91,965,550)	\$ 161,264,464

New Mexico State University
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017

	University	Discrete Component Unit
REVENUES		
Operating revenues:		
Student tuition and fees (gross)	\$ 107,477,271	\$ -
Less: scholarship allowances	(40,352,088)	-
Student tuition and fees (net)	67,125,183	-
Federal appropriations, grants and contracts	89,478,461	-
State grants and contracts	16,508,697	-
Local appropriations, grants and contracts	2,898,663	-
Non-governmental grants, contracts and gifts	9,060,235	9,769,845
Sales and services	5,429,962	1,349,831
Auxiliary enterprises (net of scholarship allowances)	14,637,709	-
Other operating revenues	16,566,675	-
Total operating revenues	221,705,585	11,119,676
EXPENSES		
Operating expenses:		
Instruction	147,433,569	-
Research	86,441,908	-
Public service	53,831,021	-
Academic support	27,494,971	-
Student services	15,372,147	-
Institutional support	31,711,240	-
Operation and maintenance of plant	36,537,879	-
Scholarships and fellowships	29,942,054	-
Auxiliary enterprises	21,195,218	-
Independent operations	17,699,739	-
Intercollegiate athletics	17,947,564	-
Student social and cultural	3,863,536	-
Loan administration (net)	2,867,905	-
Depreciation	35,473,782	89,551
Other operating expenses	-	12,419,017
Total operating expenses	527,812,533	12,508,568
Net operating loss	(306,106,948)	(1,388,892)
Non-operating revenues (expenses):		
State appropriations	193,515,000	-
Federal Pell grants	39,587,298	-
State lottery scholarship	15,641,172	-
Local tax levy revenue	12,941,281	-
Gifts and non-exchange grants	9,066,256	-
Investment income (loss)	3,009,469	13,599,859
Land lease and permanent fund revenue	3,110,115	-
Building fees	4,126,169	-
Loss on disposal of plant	(405,298)	-
Gain on sale of land	2,455,510	-
Additions to quasi endowments	151,320	-
Interest and other expenses on capital asset-related debt	(4,948,886)	-
Other non-operating expenses	493,981	(272,165)
Net non-operating revenues (expenses)	278,743,387	13,327,694
Loss before other revenues	(27,363,561)	11,938,802
Capital appropriations	18,620,802	-
Capital grants, gifts, and other income	2,550,164	-
Additions to permanent endowments	2,196,737	5,666,195
Increase (decrease) in net position	(3,995,858)	17,604,997
NET POSITION		
Beginning of year, as previously reported	158,825,979	131,614,807
Change in accounting principle (Note 2)	(62,460,343)	-
Beginning of year, as restated	96,365,636	131,614,807
End of year	\$ 92,369,778	\$ 149,219,804

New Mexico State University
Statement of Cash Flows
For the Year Ended June 30, 2018

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees and other student payments received	\$ 67,305,168
Grants and contracts received	108,454,156
Payments to suppliers	(89,079,809)
Payments for travel	(12,475,335)
Payments to employees and for employee benefits	(320,909,822)
Disbursement of net aid to students	(33,345,062)
Receipts from sales, services, and auxiliary enterprises	21,102,924
Other operating revenues	13,508,271
Net cash used by operating activities	<u>(245,439,509)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	190,893,756
Gifts and grants for other than capital purposes	60,439,133
Tax levy revenue	14,440,619
Private gifts for endowment	1,852,815
Other non-operating expenses	(651,669)
Net cash provided by non-capital financing activities	<u>266,974,654</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt and leases	79,076,250
Capital gifts, grants and contracts	10,406,280
Purchases/construction/renovation of capital assets	(27,632,869)
Principal paid on capital debt and leases	(34,857,474)
Interest and fees paid on capital debt and leases	(6,985,333)
Building fees received from students	4,815,669
Net cash used by capital and related financing activities	<u>24,822,523</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	21,706,527
Proceeds held in trust by NMSU Foundation	(1,817,952)
Interest on investments	6,356,206
Purchase of investments	(66,874,629)
Net cash provided by investing activities	<u>(40,629,848)</u>
Net increase in cash and cash equivalents	5,727,820
Cash and cash equivalents - beginning of year	77,363,833
Cash and cash equivalents - end of year	<u>\$ 83,091,653</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (364,196,060)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	34,515,035
Change in assets and liabilities:	
Decrease in accounts receivable	1,913,515
Increase in prepaid expenses	(481,621)
Increase in inventory	(195,051)
Decrease in loans receivable	568,077
Decrease in accounts payable and other accrued liabilities	(1,500,794)
Decrease in unearned revenue	1,292,887
Decrease in held in trust by NMSU	(732,940)
Increase in net pension/OPEB liability and related deferred inflows/outflows of resources	83,377,443
Net cash used by operating activities	<u>\$ (245,439,509)</u>

New Mexico State University
Statement of Cash Flows
For the Year Ended June 30, 2017

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees and other student payments received	\$ 67,709,914
Grants and contracts received	117,480,559
Payments to suppliers	(114,416,113)
Payments for travel	(12,480,702)
Payments to employees and for employee benefits	(317,637,165)
Disbursement of net aid to students	(36,452,901)
Receipts from sales, services, and auxiliary enterprises	22,220,736
Other operating revenues	15,651,629
Net cash used by operating activities	<u>(257,924,043)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	193,515,000
Gifts and grants for other than capital purposes	59,167,497
Tax levy revenue	12,941,281
Private gifts for endowment	1,899,390
Other non-operating expense	493,984
Net cash provided by non-capital financing activities	<u>268,017,152</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt and leases	158,714
Proceeds from sale of capital assets	2,489,349
Proceeds held by NM Finance Authority - general obligation bonds	6,619,165
Capital gifts, grants and contracts	14,551,801
Purchases/construction/renovation of capital assets	(33,844,949)
Principal paid on capital debt and leases	(9,877,354)
Interest and fees paid on capital debt and leases	(5,246,795)
Building fees received from students	4,126,169
Net cash provided by capital and related financing activities	<u>(21,023,900)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	23,550,000
Proceeds held in trust by NMSU Foundation	512,806
Interest on investments	9,485,654
Purchase of investments	(29,323,317)
Net cash provided by investing activities	<u>4,225,143</u>
Net decrease in cash and cash equivalents	(6,705,648)
Cash and cash equivalents - beginning of year	84,069,481
Cash and cash equivalents - end of year	<u>\$ 77,363,833</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (306,106,948)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	35,473,782
Change in assets and liabilities:	
Increase in accounts receivable	2,317,768
Increase in prepaid expenses	1,933,751
Decrease in inventory	290,165
Decrease in loans receivable	1,571,552
Increase in accounts payable and other accrued liabilities	(3,700,794)
Decrease in unearned revenue	485,385
Decrease in held in trust by NMSU	(1,445,900)
Increase in net pension liability and related deferred inflows and outflows of resources	11,257,196
Net cash used by operating activities	<u>\$ (257,924,043)</u>

Note 1 – Organization

New Mexico State University (the University) was created under Section 21-8-1 New Mexico Statutes Annotated (NMSA), Article XII, Section 11, of the New Mexico State Constitution (Constitution). Under Article XII, Section 13 of the Constitution, the University is governed by the Board of Regents, a group of five members, one of whom is a student, appointed by the Governor of New Mexico. Members may serve more than one term. The Chancellor of the University acts as Chief Executive Officer.

The University was founded in 1888, and in 1889 was established as a land-grant college, in accordance with the provisions of the Morrill Act of 1862. As such, the University provides a liberal and practical education for students and sustains programs of research, extension education, and public service. The University offers a broad program of instruction at the undergraduate and advanced degree levels in Agricultural, Consumer and Environmental Sciences, Arts and Sciences, Business, Education, Engineering, and Health and Social Services. Other programs include Intercollegiate Athletics, the Agricultural Experiment Stations, the Physical Science Laboratory for contract research, the Cooperative Extension Service, the New Mexico Department of Agriculture, and community colleges at Alamogordo, Carlsbad, Doña Ana County, and Grants.

New Mexico State University Foundation, Inc. (Foundation), is the “Discrete Component Unit” referred to throughout this document. 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 University.

Note 2 – Summary of Significant Accounting Policies

Reporting Entity. *The Governmental Accounting Standards Board’s (GASB) Statement No. 39, Determining Whether Certain Organizations are Component Units, GASB Statement No. 61, Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34 and GASB Statements No. 80, Blending Requirements for Certain Component Units - and amendment of GASB Statement No. 14, provide additional guidance to determine whether certain organizations, for which the primary government is not financially accountable, should be reported as component units, based on the nature and significance of their relationship with the primary government.*

Under GASB 39 and GASB 61 criteria, the Foundation meets the criteria for discrete component unit presentation. The Foundation is a nonprofit corporation which provides financial benefit to the University by acquiring and managing charitable gifts, including endowed funds, to be used solely for the benefit of the University. Under GASB 39 and GASB 80 criteria, Arrowhead Center, Inc. meets the criteria for blended presentation. Arrowhead Center Inc. provides a financial benefit to the University and was established to foster economic development within the State through the development of research parks and University real property as well as to protect, license, and market intellectual property developed by faculty, staff and students of the University, as well as members of the community. The University and its blended component unit are shown as the University column in the financial statements. The component units have separately audited financial statements, which can be obtained at their administrative offices. Aggie Development Inc. is a blended component unit that did not require audited financial statements and therefore its activity is included in the NMSU audited financial statements, but its information is not included in Note 11 - Component Units. The mailing addresses for each of the component units are included in Note 11.

Basis of Accounting. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the GASB and the American Institute of Certified Public Accountants’ (AICPA) guide.

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University’s financial statements have been presented in a single column using the economic resources measurement focus and the accrual basis of

accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Eliminations are not performed between the University and the Foundation. The University is an enterprise fund of the State of New Mexico and, as such, is included in the State of New Mexico's Comprehensive Annual Financial Report. The University's financial statements are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of the State of New Mexico that is attributable to the transactions of the University.

Current Assets. Current assets consist of unrestricted assets which are available for current operations or which will be available within one year and restricted assets that will be used in current operations. All other assets are classified as non-current assets.

Cash and Investments. Cash and cash equivalents consist of cash on hand and current investments, which are defined as investments that are readily convertible to cash or which have an original maturity date of three months or less.

The University accounts for its investments at fair value in accordance with GASB Statement No.72 (*Fair Value Measurement and Application*). Changes in the unrealized gain (loss) on the carrying value of investments are reported as a component of investment income (loss) in the Statement of Revenues, Expenses, and Changes in Net Position.

The University and the Foundation record purchased marketable securities at cost and marketable securities received by gift at estimated fair value on the date of donation. Marketable securities are carried at fair value based on quoted market prices, except for certain alternative investments for which quoted market prices are not available. The estimated fair value of these alternative investments is based on the most recent valuations provided by the external investment managers. The University and the Foundation believe the carrying amount of these financial instruments is a reasonable estimate of the fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Third-party investment managers administer substantially all marketable securities. Gains and losses resulting from securities transactions are recorded in investment income.

The Foundation manages a Common Endowment Pool (Pool), consisting of assets invested to support programs of the University. A portion of these assets belongs to the University and is shown in the University's Statements of Net Position as Investments held in trust by Component Unit for NMSU. The Foundation owns the remainder, which consists of endowments and charitable gift annuities. These are included in other long-term investments in the Foundation's financial statements. The liabilities related to the charitable gift annuities are included in the Foundation's other long-term liabilities.

Disbursements of the net appreciation of investments in donor restricted endowments are permitted in accordance with the New Mexico Uniform Prudent Management of Institutional Funds Act (UPMIFA), except where a donor has specified otherwise. The Investment Committee of the Foundation establishes a target investment allocation designed to support distributions from the Pool and to protect the purchasing power of the endowment principal. The Foundation Investment Committee sets the annual distribution rate. Actual distributions may be adjusted as directed by some of the individual endowment agreements. The amount of funds available for distribution from the Pool to the individual endowments participating in the fund that benefit colleges, departments, units and programs during each fiscal year is determined using a weighted average of two numbers: 1) The target spending based on the current endowment value, and 2) last year's spending adjusted for inflation. A 20-percent weighting is given to the policy rate applied to the Pool's market value at the end of each fiscal quarter, and an 80-percent weighting is given to the last year's spending adjusted for inflation as measured by the most recent published Higher Education Price Index. This amount is then distributed at the end of each fiscal year. The distribution of the annual calculation is based on the unitized system ownership of

each fund.

Accounts Receivable. Accounts receivable primary categories are: 1) Tuition and fees; 2) Amounts due for auxiliary enterprise services provided to students, faculty and staff; and, 3) Amounts due from federal, state, local governments, and others in connection with reimbursement of allowable expenditures made pursuant to the University's sponsored awards. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories. Inventories are generally stated at the lower of cost or market. Cost is determined by the average cost method, which approximates the first-in-first-out method. Inventories consist of items that are available for resale to individuals and/or other University departments, including research supplies and livestock items. Departmental inventories comprised of items such as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and administrative process, are expensed when purchased.

Investments Held in Trust. Trust assets held by the Foundation are measured at fair value as of the date of receipt. The corresponding trust liability, included in other long-term liabilities, is measured at the present value of expected future cash flows to be paid to the beneficiary. Upon death of the income beneficiary, substantially all of the principal balance passes to the Foundation to be used in accordance with the donor's wishes.

The Foundation holds several irrevocable charitable remainder trusts and a pooled income fund; these instruments are shown in the accompanying financial statements as investments held in trust for others. Charitable remainder trusts designate the Foundation as both trustee and remainder beneficiary. The Foundation is required to pay to the donor, or another donor-designated income beneficiary, either a fixed amount or the lesser of a fixed percentage of the fair market value of the trust's assets or the trust's income during the beneficiary's life.

The pooled income fund was formed with contributions from several donors. The contributed assets are invested and managed by the Foundation. Each donor, or designated beneficiary, periodically receives, during his or her life, a share of the income earned on the fund proportionate to the value of the contribution to the fund. Upon death of the income beneficiary, substantially all of the principal balance passes to the Foundation to be used in accordance with the donor's wishes. Contribution revenue is measured at the fair value of the assets received, discounted for a term equal to the life expectancy of the beneficiary.

Capital Assets. Capital assets are recorded at cost as of the date of acquisition, or in the case of gifts, acquisition value as of the date of donation. The University's capitalization threshold for equipment and Software is \$5,000. Infrastructure and land improvements that significantly increase the value, productivity, or extend the useful life of the structure are capitalized at \$50,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

The University's depreciation is computed using the straight-line method. Land and land improvements are not depreciated. Estimated useful lives for major asset classes are as follows:

<u>Category</u>	<u>Useful Life</u>
Software	5 or 10 years
Equipment	6 or 15 years
Infrastructure	10 to 20 years
Componentized buildings	12 to 50 years
Library books	15 years
Non-componentized buildings	25 or 40 years

As an institute of higher education in existence for over 100 years, New Mexico State University has acquired significant collections of art, rare books, historical treasures and other special collections. The

purpose of these collections is for public exhibition, education or research in furtherance of public service rather than financial gain. They are protected and preserved, and subject to the Regents' policies regarding accessioning and de-accessioning. However, because of their invaluable and irreplaceable nature, these collections have not been capitalized and are therefore not presented in the accompanying Statement of Net Position.

The Foundation's capital assets are stated at cost, except for works of art that the Foundation intends to hold indefinitely, which are recorded at fair value on the date of donation. Additions and major improvements are capitalized and repairs and maintenance are charged to expense as incurred.

Current Liabilities. Current liabilities include accounts payable, other accrued liabilities and accrued interest payable. Other accrued liabilities include accrued current payroll and fringe benefits and current portion of unclaimed property. The benefits included consist of the employee and employer portions of taxes, insurance, retirement and other compensation related withholdings. Also included in current liabilities is the current portion of long-term debt and unearned revenue. Unearned revenue represents revenue collected but not earned as of June 30, 2018 and 2017. This amount is primarily composed of revenue for grants and contracts, prepaid student tuition and fees and special events. The University did not have any outstanding short-term debt for the years ended June 30, 2018 and 2017.

Non-Current Liabilities. Non-current liabilities, within other long-term liabilities, includes principal amounts of revenue bonds payable, contracts payable, other post employment benefits, the non-current portion of accrued compensated absences and unclaimed property, and other liabilities. Also included is pension liability.

The Foundation's other long-term liabilities consist of the liabilities related to charitable gift annuities and charitable remainder unitrusts for which the Foundation serves as trustee. These liabilities are recorded at the present value of anticipated payments to the income beneficiaries. These are computed using the estimated life of each income beneficiary at June 30 each year and the applicable IRS discount interest rates.

Annual and Sick Leave Policies.

- **Annual leave:** Regular full-time exempt and non-exempt employees hired prior to July 1, 2016, earn annual leave at a rate of 22 working days per year. The maximum annual leave that can be earned by employees hired after July 1, 2016 changed to 20 days per year. Annual leave accrual will be based on the employee's period of continuous service of employment at the University. Leave is prorated for regular employees working at least half-time. University policy allows employees to accumulate a maximum of 30 unused annual leave days. Accumulated annual leave is paid upon termination.
- **Sick leave:** Regular full-time exempt and non-exempt employees earn sick leave at a rate of 12 working days per year. Employees may carry forward up to 100 days (800 hours) of sick leave. Prior to July 1, 2016, employees were paid for earned sick leave over 600 hours (not to exceed 200 hours) upon termination. Effective July 1, 2016, the sick leave payout benefit upon termination was discontinued; however, employees with sick leave balances of greater than 600 hours on that date will receive a grandfathered benefit. Upon termination, they will be paid for the number hours over 600 (not to exceed 200 hours) that they had on July 1, 2016 or the number that they have upon termination, whichever is less. The sick leave payment is made at a rate of 50 percent of the employee's straight-time hourly salary.
- **Faculty care leave:** The University provides regular nine-month faculty with a paid leave benefit that can be used for any qualifying event under the federal Family and Medical Leave Act (FMLA). This benefit is referred to as "Faculty Care Leave". All regular nine-month faculty are eligible to participate

in the benefit. No payment will be provided for accrued Faculty Care Leave balances upon separation from the University nor upon death.

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

- *Net investment in capital assets* – Represents the University's total capital assets, net of accumulated depreciation, outstanding debt obligations related to those capital assets and debt related deferred inflows and outflows. Debt that has been incurred but not yet expended for capital assets is not included as a component of net investment in capital assets.
- *Restricted net position, non-expendable* – Consists of endowment and similar type assets for which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income.
- *Restricted net position, expendable* – Includes resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- *Unrestricted net position* – Represents all other resources, including those derived from student tuition and fees, state appropriations, sales and services, unexpended plant, renewal and replacement and quasi endowments. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff. Unrestricted net position of the Component Unit represents resources that may be used at the discretion of the governing board of the Component Unit to meet current expenses for any purpose.

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

Elimination Entries. Eliminations have been made in the Statement of Revenues, Expenses, and Changes in Net Position to remove the effect of internal charges incurred for service activities in excess of the cost of providing those services and for revenue recognized by the Auxiliary Service departments for sales to other University departments. Elimination entries are not recorded between the University and the Discrete Component Unit.

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

The Foundation is exempt from federal income taxes under Internal Revenue Code section 501 (a) as an organization described in section 501(c)(3).

Classification of Revenues. The University classifies its revenues as either operating or non-operating revenues according to the following criteria:

- *Operating revenues:* Operating revenues of the University include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship

discounts and allowances; (2) sales and services of auxiliary enterprises; (3) certain federal, state and local grants and contracts and federal appropriations; and (4) interest on institutional student loans. Operating revenues of the Discrete Component Unit consist of gifts, grants, and fundraising activities in support of Foundation and University programs.

- **Non-operating revenues:** Non-operating revenues of the University include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, certain grants, tax levy revenue, investment income, and other revenue sources that are defined as non-operating revenues by GASB 9, *Reporting Cash Flows Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB 34, *Basic Financial Statements – And Management’s Discussion and Analysis – For State and Local Governments*. These revenue streams are recognized under GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Revenues are recognized when all applicable eligibility requirements have been met. Non-operating revenues of the Discrete Component Unit consists of investment income.

Classification of Expenses. The University classifies its expenses as either operating or non-operating expenses according to the following criteria:

- **Operating expenses:** Operating expenses include activities such as (1) employee salaries, benefits, and related expenses; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, supplies, and other services; (4) professional fees; and (5) depreciation expenses related to property, plant, and equipment.
- **Non-operating expenses:** Non-operating expenses include activities such as interest on capital asset-related debt and other expenses that are defined as non-operating expenses by GASB 9 and GASB 34.

Scholarship Discounts and Allowances. Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the student’s behalf. To the extent that revenues such as federal Pell grants and state lottery scholarships are used to satisfy tuition and fees and other student charges, the University has recorded scholarship discount and allowance as a contra-revenue. A pro rata share of the discounts and allowances are allocated to Auxiliary Enterprises.

Budgetary Process. Operating budgets are submitted annually for approval to the Board of Regents, the New Mexico Higher Education Department (HED), and the New Mexico Department of Finance and Administration - State Budget Division (DFA). These state agencies develop consolidated funding recommendations for all higher education institutions which are considered for appropriation during the annual legislative sessions. In accordance with House Bill 2, in general, unexpended state appropriations to the University do not revert at the end of each fiscal year. All state appropriations are accounted for separately in the accounting system.

The legal level of budgetary control is at the fund type and functional level, in accordance with NMAC 5.3.4.10. The modified accrual basis of accounting is used for budgetary comparison. If expenditures by budgetary control line by campus are expected to exceed the approved budget, the University is required to submit a budget adjustment request which has been approved by the Board of Regents to the HED which is subsequently forwarded to the DFA.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires

management to make estimates and assumptions that affect the reported amount 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. Actual results could differ from those estimates.

Loans Receivable. Loans receivable are shown net of allowance for doubtful accounts in the accompanying Statements of Net Position. Federal Perkins Loans make up approximately 91% and 99% of the student loans receivable at June 30, 2018 and 2017, respectively. Loans receivable from students are generally repayable in installments to the University over a 10 year period commencing 6 or 9 months after the date of separation from the University. Collections on these student loans are primarily handled through a third party servicer. Under this program, the federal government provided funds for approximately 75% of the total contribution for student loans, with the University providing the balance. The school's revolving Perkins loan fund is replenished by ongoing activities, such as collections by the school on outstanding Perkins loans made by the school and reimbursements from the Department of Education for the cost of certain statutory loan cancellation provisions. Perkins borrowers are eligible for loan cancellation for teacher service at low-income schools and under certain other circumstances specified in the Higher Education Act. Students may defer repayment of the loan while enrolled (at least half-time) at a postsecondary school. A borrower who has difficulty repaying a Perkins Loan may be eligible for a deferment or forbearance based on economic hardship or other circumstances. Under federal law, the authority for schools to make new Perkins loans ended September 30, 2017, and final disbursements were permitted through June 30, 2018. As a result, students can no longer receive Perkins Loans.

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

Other Post Employment Benefits (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the University contracts with external actuaries on the economic resource measurement focus. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Outflow of Resources. Consumption of net assets by the University that is applicable to a future reporting period.

Deferred Inflow of Resources. Acquisition of net assets by the University that is applicable to a future reporting period.

Amounts reported as deferred outflows of resources and deferred inflows of resources are as follows:

	2018	2017
Deferred Outflows of Resources		
Related to net pension liability	\$ 246,363,940	\$ 70,110,135
Net loss on defeasance	515,729	-
Total deferred outflows of resources	<u>246,879,669</u>	<u>70,110,135</u>
Deferred Inflows of Resources		
Related to net pension liability	\$ 37,623,158	\$ 24,659,101
Related to net OPEB liability	4,332,832	-
Unamortized bond premiums	90,501	191,092
Total deferred inflows of resources	<u>\$ 42,046,491</u>	<u>\$ 24,850,193</u>

Reclassifications. Certain amounts in the 2017 financial statements and notes thereto have been reclassified to conform to 2018 financial statement presentation.

Change in Accounting Principle

GASB 75. Effective July 1, 2017, The University adopted GASB Statement No. 75, *Accounting and Financial Reporting for postemployment benefits other than pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB. As a result of the implementation of GASB Statement 75, the University restated net position as of July 1, 2017. This restatement was a decrease of \$101,073,969 to unrestricted net position as of July 1, 2017. The implementation of GASB 75 also resulted in the recognition at July 1, 2017 of \$134,552,969 in OPEB liability, an increase from the \$33,479,000 in OPEB liability prior to fiscal year 2018.

University Reconciliation of Net Position	
	Total Net Position
Net position at July 1, 2017, as previously reported	\$ 92,369,778
Adjustment:	
Impact of change in accounting principle	(101,073,969)
Net position at July 1, 2017, restated for change in accounting principle	<u>\$ (8,704,191)</u>

Land Grant Permanent Fund. Effective July 1, 2016, the State of New Mexico (State) changed its policy regarding the presentation of the Land Grant Permanent Fund (LGPF) within State's Comprehensive Annual Financial Report (CAFR). The State's institutions of higher education have a beneficial interest in the LGPF. Previously, the State presented the University's LGPF beneficial interest as an asset in the educational institution enterprise fund. Consistent with this presentation, the University recorded its LGPF beneficial interest as an asset in its stand-alone financial statements. The presentation of the LGPF as an asset in the educational institution enterprise fund and as an asset on the University's stand-alone financial statements is an acceptable presentation in accordance with U.S. generally accepted accounting principles (GAAP). However, with the adoption of the State's new policy on July 1, 2016, the University's beneficial interest in the LGPF will now be presented within a special revenue fund in the State CAFR and will no longer be presented in the educational institution enterprise fund. GAAP requires consistency between the State CAFR presentation and the presentation in the University's stand-alone financial statements. As a result, this change in policy will no longer permit institutions of higher education to record their respective beneficial interests in the LGPF as an asset within their stand-alone financial statements. Accordingly, the University has removed its respective beneficial interest in the LGPF as of July 1, 2016.

The following table presents the impact of the change in accounting principle on the University's net position:

University Reconciliation of Net Position	
	Total Net Position
Net position at July 1, 2016, as previously reported	\$ 158,825,979
Adjustment:	
Impact of change in accounting principle	(62,460,343)
Net position at July 1, 2016, restated for change in accounting principle	<u>\$ 96,365,636</u>

This change in presentation does not impact the University's beneficial interest in the LGPF assets and the University will continue to receive its beneficial interest in the earnings of the LGPF as required by law. See Note 3 - Cash and Investments for additional disclosures regarding the University's beneficial interest in the LGPF.

Other Significant Accounting Policies. Other significant accounting policies are set forth in the following notes.

Note 3 - Cash and Investments

The University is authorized by the Board of Regents to invest all available University cash in short-term investments and other long-term investments. The classification "Cash and cash equivalents" includes cash in banks (deposits), cash on hand, petty cash change funds, and money market funds.

The Foundation (see Note 11) invests endowment and similar funds for the benefit of the University under the terms of a revocable agreement. These assets are invested in a common pool and as of June 30, 2018 and 2017, the University owned 309,259 and 321,360 shares which represented 25.56% and 25.90% of the total shares in the pool, respectively. The fair value per share as of June 30, 2018 and 2017 was \$144.49 and \$134.42, respectively.

Cash. The University's deposits are in demand and time deposit accounts at local financial institutions. The University requires a minimum of 50 percent collateralization of all uninsured funds deposited with a financial institution, with the exception of overnight repurchase agreements, which require 102 percent collateralization. All collateral is held in third-party safekeeping in the name of the University. The majority of the total deposits were invested in interest bearing accounts at June 30, 2018 and 2017.

For cash flow purposes the net change in cash does not include cash and cash equivalents held in trust by the component unit and others.

Investments. The Senior Vice President for Administration and Finance, the Controller, the Associate Controller, and the Banking, Investment and Tax Manager are authorized to purchase and to sell investments of the University. Investments are required to be made in a prudent manner so as to ensure an acceptable yield with a minimum risk within the guidelines of the University's investment policy, which requires investment in securities or other financial instruments which are not contrary to Section 6-10-10 and 46-9A-1 through 46-9A-10 NMSA 1978, existing bond covenants, or other externally placed restrictions. At June 30, 2018 and 2017, all investments are either held in the name of the University by its agent, or held by the University. Investments that will mature in less than one year are considered short-term. The investments not held by the Foundation consisted of U.S. agency securities, U.S. treasury notes, municipal securities, brokered negotiable certificates of deposit with an original maturity of two to five years, and corporate stocks and bonds at June 30, 2018 and 2017. The Foundation's short-term investments in marketable securities consisted entirely of U.S Government and Agency securities at June 30, 2018 and 2017.

Endowment investments were \$42,816,242 and \$39,071,502 at June 30, 2018 and 2017, respectively, and represent longer term investments in debt and equity securities, including, but not limited to, pooled or common trust funds holding such types of securities, subject to any specific limitation set forth in the applicable gift instrument.

At June 30, 2018 and 2017, the investments of the University and its Discrete Component Unit consisted of the following:

	2018 Fair Value	2017 Fair Value
University		
U.S. Agency and Treasury Securities	\$ 84,891,857	\$ 75,422,734
Municipal Securities	29,028,277	-
Certificates of Deposit	4,477,370	4,269,311
Domestic Equity Securities	5,634,605	523,952
Pooled Investments Held by Others		
Corporate Stocks and Bonds	29,338,321	26,314,475
U.S. Government and Agency Securities	294,596	441,016
Mortgage Backed Securities	1,357,209	1,515,793
Limited Partnerships - Alternative	11,028,644	10,100,918
Real Estate Holdings	797,472	699,300
Total Investments	<u>\$ 166,848,351</u>	<u>\$ 119,287,499</u>
Foundation		
Corporate Stocks and Bonds	\$ 92,635,480	\$ 80,354,970
U.S Government and Agency Securities	834,027	1,230,891
Mortgage Backed Securities	3,952,687	4,336,691
Limited Partnerships - Alternative	32,119,416	28,898,765
Other Investments	2,678,538	2,416,865
Total Investments	<u>\$ 132,220,148</u>	<u>\$ 117,238,182</u>

Investments held in trust by the Foundation for the University are shown in the University section of the table above and not in the Foundation section. Investments held in trust for others by the Foundation are not included in this note.

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 University is one of the specific entities identified that has a beneficial interest in the LGPF.

On July 1, 2016 the State of New Mexico (State) changed its policy regarding the presentation of the University's beneficial interest in the LGPF within the State's Comprehensive Annual Financial Report (CAFR). As a result of the State's change in policy the University no longer presents its beneficial interest in the LGPF in its stand-alone Statements of Net Position. The income received from the beneficial interest by the University continues to be presented in its stand-alone Statements of Revenue, Expenses, and Changes in Net Position.

As an entity with a beneficial interest, the University receives monthly distributions of income from the LGPF as required by law. The University's beneficial interest and income received from this beneficial interest as of and for the years ending June 30, 2018 and 2017 are as follows:

	2018	2017
Balance of the University's beneficial interest as of June 30	\$ 71,291,552	\$ 67,587,571
Income received from the University's beneficial interest in the LGPF for the period ending June 30	\$ 2,840,940	\$ 2,716,981

Assets held by the Foundation for the University. The following is a schedule of the makeup of pooled cash and investments held by the Discrete Component Unit for the University at June 30, 2018 and 2017.

	2018	2017
Equities	82 %	78 %
Fixed income	3 %	4 %
Cash and cash equivalents	13 %	16 %
Investments not securities	2 %	2 %
	<u>100 %</u>	<u>100 %</u>

Collateralization of Deposits. At June 30, 2018 and 2017, the recorded values of the University's cash and time deposits with financial institutions were \$21,623,453 and \$55,327,464, respectively. Bank balances, which differ from the reported values due to reconciling items, are categorized and presented in the following table:

	2018	2017
University		
Amount insured by the Federal Deposit Insurance Corporation (FDIC)	\$ 553,089	\$ 829,085
Amount collateralized with securities held by the pledging financial institution	22,712,172	57,407,165
Uncollateralized	<u>2,380,848</u>	<u> </u>
Total cash and time deposit bank balances	25,646,109	58,236,250
Reconciling Items:		
Add: cash equivalents	53,898,250	9,077,945
Add: cash equivalents held by others	7,569,950	12,958,424
Less: other reconciling items	<u>(4,022,656)</u>	<u>(2,908,786)</u>
Total reported cash balance	<u>\$83,091,653</u>	<u>\$77,363,833</u>
Foundation		
Amount insured by the FDIC	\$ 500,000	\$ 500,000
Amount in excess of FDIC, Lloyd's of London and Security Investor Protection Corporation (SIPC)	16,948,351	20,386,547
Amount at Merrill Lynch insured by SIPC, Lloyd's of London and the FDIC	<u>2,400,000</u>	<u>2,400,000</u>
Total reported cash balance	<u>\$19,848,351</u>	<u>\$23,286,547</u>

The following table provides information on the University's cash and cash equivalents at June 30, 2018:

Account	Type of Account	Financial Institution Balance	Reconciling Items	Book Balance
First National Bank of Alamogordo				
Operational	Debt Service	471,294	-	471,294
Wells Fargo Bank of New Mexico				
Operational	Checking	-	(4,009,505)	(4,009,505)
Operational	Student ACH	-	3,435	3,435
Operational	General	-	141,309	141,309
Operational	Payroll	-	(277,433)	(277,433)
Operational	Credit Card	-	67,602	67,602
Operational	Debt Service	3,717,638	-	3,717,638
Operational	Deposit	-	2,525	2,525
Operational	Money Market (WFS)	48,000,000	-	48,000,000
Operational	Cash Management	21,404,088	-	21,404,088
Operational	Money Market (Trust)	1,082,876	-	1,082,876
Western Commerce Bank of Carlsbad				
Operational	Deposit	21,973	-	21,973
Cash on Hand				
Cash on hand	Cash	-	49,411	49,411
Citizen's Bank of Las Cruces				
Certificate of deposit	Time Deposit	31,116	-	31,116
New Mexico Finance Authority				
General obligation bond proceeds	Money Market	3,048,643	-	3,048,643
Federated Investment Manager				
Dividend reinvestment	Money Market	4,815,374	-	4,815,374
New Mexico State University Foundation, Inc.				
NMSU endowments	Cash	4,521,307	-	4,521,307
Total Cash and Cash Equivalents		<u>\$ 87,114,309</u>	<u>\$ (4,022,656)</u>	<u>\$ 83,091,653</u>

The following table provides information on the University's cash and cash equivalents at June 30, 2017:

Account	Type of Account	Financial Institution Balance	Reconciling Items	Book Balance
First National Bank of Alamogordo				
Operational	Checking	\$ 63,923	\$ -	\$ 63,923
Operational	Debt Service	451,856	-	451,856
Grants State Bank				
Operational	Checking	22,551	-	22,551
Wells Fargo Bank of New Mexico				
Operational	Checking	-	(2,726,755)	(2,726,755)
Operational	Student ACH	-	9,132	9,132
Operational	General	-	20,629	20,629
Operational	Payroll	-	(305,563)	(305,563)
Operational	Credit Card	-	50,005	50,005
Operational	Debt Service	4,749,134	-	4,749,134
Operational	Deposit	-	1,245	1,245
Project Funds	Savings-2014 Note	145,671	-	145,671
Operational	Savings	37,798,261	-	37,798,261
Operational	Cash Management	14,948,321	-	14,948,321
Operational	Money Market	2,751,817	-	2,751,817
Western Commerce Bank of Carlsbad				
Operational	Checking	21,157	-	21,157
Operational	Deposit	4,263	210	4,473
Cash on Hand				
Cash on hand	Cash	-	42,311	42,311
Citizen's Bank of Las Cruces				
Certificate of deposit	Time Deposit	31,113	-	31,113
New Mexico Finance Authority				
General obligation bond proceeds	Money Market	6,619,165	-	6,619,165
Federated Investment Manager				
Dividend reinvestment	Money Market	6,326,128	-	6,326,128
New Mexico State University Foundation, Inc.				
NMSU endowments	Cash	6,339,259	-	6,339,259
Total Cash and Cash Equivalents		<u>\$ 80,272,619</u>	<u>\$ (2,908,786)</u>	<u>\$ 77,363,833</u>

The following table provides information on the the University's investments, including reconciling items, at June 30, 2018.

Account	Type of Account	Financial Institution Balance	Reconciling Items	Book Balance
FTN Financial				
U.S. agency securities	Investment	28,293,179	-	28,293,179
FTN Financial				
Certificate of deposit	Investment	1,500,009	-	1,500,009
Wells Fargo Advisors				
Domestic equity securities	Investment	253,697	-	253,697
Raymond James				
U.S. agency securities	Investment	19,881,084	-	19,881,084
Raymond James				
Domestic equity securities	Investment	5,075,995	-	5,075,995
Wells Fargo Securities				
Certificate of deposit	Investment	2,977,361	-	2,977,361
Wells Fargo Securities				
U.S. agency securities	Investment	22,368,505	-	22,368,505
Wells Fargo Trust				
U.S. treasury securities	Investment	28,967,490	-	28,967,490
Wells Fargo Trust				
U.S. agency securities	Investment	14,349,089	-	14,349,089
Sandia Motorsports Park, Inc.				
Domestic equity securities	Investment	32,427	-	32,427
Eberhardt Memorial				
Domestic equity securities	Investment	2,464	-	2,464
Principal Funds				
Domestic equity securities	Investment	232,911	-	232,911
Franklin Templeton				
Domestic equity securities	Investment	36,111	-	36,111
Legacy Treasury Direct				
U.S. treasury Securities	Investment	60,787	-	60,787
Innovation				
Domestic equity securities	Investment	1,000	-	1,000
New Mexico State University Foundation, Inc.				
NMSU endowments	Investment	42,816,242	-	42,816,242
Total Investments		<u>\$ 166,848,351</u>	<u>\$ -</u>	<u>\$ 166,848,351</u>

The following table provide information on the the University's investments, including reconciling items, at June 30, 2017.

Account	Type of Account	Financial Institution Balance	Reconciling Items	Book Balance
FTN Financial				
U.S. agency securities	Investment	28,600,429	-	28,600,429
Wells Fargo Advisors				
Domestic equity securities	Investment	248,803	-	248,803
Raymond James				
U.S. agency securities	Investment	21,200,464	-	21,200,464
Wells Fargo				
Certificate of deposit	Investment	4,269,311	-	4,269,311
Wells Fargo				
U.S. agency securities	Investment	25,558,846	-	25,558,846
Wells Fargo				
Sandia Motorsports Park, Inc.				
Domestic equity securities	Investment	32,427	-	32,427
Eberhardt Memorial				
Domestic equity securities	Investment	2,495	-	2,495
Principal Funds				
Domestic equity securities	Investment	203,648	-	203,648
Franklin Templeton				
Domestic equity securities	Investment	36,579	-	36,579
Legacy Treasury Direct				
U.S. treasury securities	Investment	62,995	-	62,995
New Mexico State University Foundation, Inc.				
NMSU endowments	Investment	39,071,502	-	39,071,502
Total Investments		<u>\$ 119,287,499</u>	<u>\$ -</u>	<u>\$ 119,287,499</u>

Information on the Foundation's cash and cash equivalents and deposit accounts and investments, including reconciling items, at June 30, 2018, is provided below:

Account	Type of Account	Financial Institution Balance	Reconciling Items	Book Balance
Wells Fargo Bank of New Mexico				
Operations	Checking	\$ 477,246	\$ (43,944)	\$ 433,302
Program	ACH	218,116	-	218,116
Program	Wire	97,582	-	97,582
Program	Checking	4,399,688	12,335	4,412,023
Program	Transfer	958,047	-	958,047
Citizens Bank of Las Cruces				
Program	Money Market	1,016,781	-	1,016,781
Merrill Lynch				
Operations	Checking	1,951,436	-	1,951,436
Program	Money Market	7,918,863	(78,050)	7,840,813
Program-Cash Gift Annuity	Checking & Money Market	29,310	(8,418)	20,892
Program-NMSU Business College	Money Market	4,577	-	4,577
Less Cash Allocated to NMSU for AHIT (Program)	Held in Trust	(1,964,539)	-	(1,964,539)
Investment cash - Merrill Lynch Managers:				
Tortoise MLP	Money Market	93,769	-	93,769
Private Equity	Money Market	451,568	-	451,568
WCMA	Money Market	73,717	-	73,717
Cambiar Intl Value	Money Market	1,287,570	-	1,287,570
Earnest SCV	Money Market	61,687	-	61,687
NWQ	Money Market	295,840	-	295,840
Tag - Emerging	Money Market	144,382	-	144,382
Eagle SCG	Money Market	135,230	-	135,230
Invesco	Money Market	1,068,018	-	1,068,018
Short Term Investment Fund	Money Market	1,995,767	-	1,995,767
Eagle LCV	Money Market	1,048,374	-	1,048,374
Armstrong	Money Market	202,294	-	202,294
Western	Money Market	120,569	-	120,569
Title V	Money Market	19,397	-	19,397
ALTA	Money Market	2	-	2
Cohen and Steers	Money Market	71,247	-	71,247
ALT Investments	Money Market	532	-	532
Santa Barbara	Money Market	149,250	-	149,250
Loomis - TMA	Money Market	196,876	-	196,876
Less Cash Allocated to NMSU for AHIT	Held in Trust	(2,556,768)	-	(2,556,768)
Total Cash and Cash Equivalents		<u>\$ 19,966,428</u>	<u>\$ (118,077)</u>	<u>\$ 19,848,351</u>
Corporate Stocks and Bonds	Investment	\$ 66,723,360	-	\$ 66,723,360
U.S. Government and Agency Securities	Investment	834,027	-	834,027
Mortgage Backed Securities	Investment	2,657,857	-	2,657,857
Mortgage Backed Securities - Foreign	Investment	1,294,830	-	1,294,830
Limited Partnerships - Alternative	Investment	32,119,416	-	32,119,416
Mutual Funds	Investment	25,912,120	-	25,912,120
Real Estate Holdings				
Real Estate Holdings	Investment	2,322,528	-	2,322,528
Short-term Investments	Investment	332,068	-	332,068
Accrued Investment Interest	Investment	23,942	-	23,942
Total Investments		<u>\$ 132,220,148</u>	<u>\$ -</u>	<u>\$ 132,220,148</u>

Information on the Foundation's cash and cash equivalents and deposit accounts and investments, including reconciling items, at June 30, 2017, is provided below:

Account	Type of Account	Financial Institution Balance	Reconciling Items	Book Balance
Wells Fargo Bank of New Mexico				
Operations Program	Checking	\$ 524,968	\$ (2,454)	\$ 522,514
Program	ACH	27,704	-	27,704
Program	Checking	3,118,316	53,445	3,171,761
Program	Transfer	313,000	-	313,000
Citizens Bank of Las Cruces				
Program	Certificate of Deposit	1,006,215	-	1,006,215
Merrill Lynch				
Operations Program	Checking	1,309,262	-	1,309,262
Program	Money Market	7,339,732	-	7,339,732
Program-Cash Gift Annuity	Checking & Money Market	100,415	(9,443)	90,972
Less Cash Allocated to NMSU for AHIT (Program)	Held in Trust	(1,906,228)	-	(1,906,228)
Investment cash - Merrill Lynch Managers:				
Tortoise MLP	Money Market	1,167,707	-	1,167,707
Private Equity	Money Market	74,045	-	74,045
WCMA	Money Market	69,387	-	69,387
Cambiar Intl Value	Money Market	610,585	-	610,585
Earnest SCV	Money Market	48,734	-	48,734
NWQ	Money Market	56,572	-	56,572
APEX	Money Market	43,051	-	43,051
Eagle SCG	Money Market	88,307	-	88,307
Invesco	Money Market	1,119,195	-	1,119,195
Short Term Investment Fund	Money Market	725,703	-	725,703
Eagle LCV	Money Market	1,524,166	-	1,524,166
Armstrong	Money Market	9,416,561	-	9,416,561
Western	Money Market	126,816	-	126,816
Title V	Money Market	20,526	-	20,526
ALTA	Money Market	4,361	-	4,361
Cohen and Steers	Money Market	20,452	-	20,452
ALT Investments	Money Market	189,395	-	189,395
Santa Barbara	Money Market	276,163	-	276,163
Loomis - TMA	Money Market	262,068	-	262,068
NMSU Business College	Money Market	852	-	852
Less Cash Allocated to NMSU for AHIT	Held in Trust	(4,433,031)	-	(4,433,031)
Total Cash and Cash Equivalents		<u>\$ 23,244,999</u>	<u>\$ 41,548</u>	<u>\$ 23,286,547</u>
Corporate Bonds	Investment	\$ 61,555,800	-	\$ 61,555,800
U.S. Government and Agency Securities	Investment	1,230,891	-	1,230,891
Mortgage Backed Securities	Investment	3,259,176	-	3,259,176
Mortgage Backed Securities - Foreign	Investment	1,077,515	-	1,077,515
Limited Partnerships - Alternative	Investment	28,898,765	-	28,898,765
Mutual Funds	Investment	18,799,170	-	18,799,170
Real Estate Holdings				
Real Estate Holdings	Investment	2,000,700	-	2,000,700
Short-term Investments	Investment	385,307	-	385,307
Accrued Investment Interest	Investment	30,858	-	30,858
Total Investments		<u>\$ 117,238,182</u>	<u>\$ -</u>	<u>\$ 117,238,182</u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the University's investment policy, investment maturities are scheduled to coincide with the University's projected cash requirements. The University does not commit any discretionary funds to financial instruments with maturities longer than ten years from the date of purchase. Funds are only committed to maturities longer than five years from date of purchase if directly related to a specific capital or other long-term project. The maturity dates on non-discretionary fund investments do not exceed the final maturity dates established within the funds' restrictive purposes. At least 50% of all cash and investment balances are invested in instruments with maturities less than two years.

A summary of the investments at June 30, 2018, and their exposure to interest rate risk based on the length of the investment follows:

	Fair Value	Less than 1 Year	1 - 5 Years	6 - 10 Years	Greater than 10 Years
University					
U.S. agency securities	\$ 84,891,857	\$ 15,667,647	\$ 69,224,210	\$ -	\$ -
Domestic corporate bonds	5,075,995	-	5,075,995	-	-
U.S. treasury securities	29,028,277	14,782,199	14,246,078	-	-
Certificate of deposit	4,477,370	996,242	3,481,128	-	-
Pooled Investments					
Mortgage-backed securities	1,357,210	-	1,357,210	-	-
Domestic corporate bonds	379,871	-	87,227	173,439	119,205
US government and agency securities	286,376	87,424	44,255	22,047	132,650
	<u>125,496,956</u>	<u>\$ 31,533,512</u>	<u>\$ 93,516,103</u>	<u>\$ 195,486</u>	<u>\$ 251,855</u>
Items not subject to interest rate risk:					
Equity securities	558,610				
Pooled Investments					
Accrued interest	8,220				
Corporate stocks	28,958,449				
Limited partnerships - Alternative	11,028,644				
Real estate holdings (Investments not securities)	<u>797,472</u>				
Total Investments	<u>\$166,848,351</u>				
Foundation					
U.S. government and agency securities	\$ 834,027	\$ 254,609	\$ 128,885	\$ 64,209	\$ 386,324
Corporate bonds	1,106,321	-	254,037	568,084	284,200
Mortgage-backed securities	3,952,687	-	3,952,687	-	-
		<u>\$ 254,609</u>	<u>\$ 4,335,609</u>	<u>\$ 632,293</u>	<u>\$ 670,524</u>
Items not subject to interest rate risk:					
Corporate stocks	91,529,159				
Limited partnerships - Alternative	32,119,416				
Other investments	2,678,538				
Total Investments	<u>\$132,220,148</u>				

A summary of the investments at June 30, 2017, and their exposure to interest rate risk based on the length of the investment follows:

	Fair Value	Less than 1 Year	1 - 5 Years	6 - 10 Years	Greater than 10 Years
University					
U.S. agency securities	\$ 75,359,739	\$ 7,784,803	\$ 67,574,936	\$ -	\$ -
U.S. Treasury securities	62,995	-	62,995	-	-
Certificate of deposit	4,269,311	2,251,792	2,017,519	-	-
Pooled Investments					
US government and agency securities	441,016	-	236,199	30,174	174,643
Mortgage-backed securities	1,515,793	-	1,515,793	-	-
Corporate bonds	550,110	-	209,102	207,990	133,018
	<u>82,198,964</u>	<u>\$ 10,036,595</u>	<u>\$ 71,616,544</u>	<u>\$ 238,164</u>	<u>\$ 307,661</u>
Items not subject to interest rate risk:					
Equity securities	523,952				
Pooled Investments					
Corporate stocks	25,764,365				
Limited partnerships - Alternative	10,100,918				
Real estate holdings (Investments not securities)	699,300				
Total Investments	<u>\$119,287,499</u>				
Foundation					
U.S. government and agency securities	\$ 1,230,891	\$ -	\$ 644,905	\$ 86,329	\$ 499,657
Corporate bonds	1,573,870	-	598,238	595,063	380,569
Mortgage-backed securities	4,336,691	-	4,336,691	-	-
		<u>\$ -</u>	<u>\$ 5,579,834</u>	<u>\$ 681,392</u>	<u>\$ 880,226</u>
Items not subject to interest rate risk:					
Corporate stocks	78,781,100				
Limited partnerships - Alternative	28,898,765				
Other investments	2,416,865				
Total Investments	<u>\$117,238,182</u>				

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy limits investment in money market instruments and other securities of commercial banks, broker-dealers, or recognized financial institutions to those rated in the highest rating category by a nationally recognized statistical rating organization (NRSRO) or which are guaranteed by a person or entity whose long-term debt obligations are rated in the highest rating category by a NRSRO. This includes without limitation, securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 USC Sections 80(a)-1 et. seq., which invest only in obligations of the government of the United States of America or securities that are secured by obligations of the government of the United States of America.

A summary of the investments at June 30, 2018, and their exposure to credit risk follows:

	Rating	Fair Value
University		
U.S. agency securities	S&P/Moody's - AA+/Aaa	\$ 84,891,857
Certificates of deposits	Federally insured	4,477,370
U.S. treasury securities	Not rated	29,028,277
Corporate bonds	S&P/Moody's - AA+/Aaa	5,075,995
Domestic equity securities	Not rated	558,610
Pooled Investments		
U.S. government and agency securities	Aaa	294,596
Mortgage-backed securities	AAA+	1,357,210
Domestic equity securities	Not rated	21,271,271
Corporate bonds	A1 to BAA1	379,871
Foreign equity securities	Not rated	7,687,178
Limited partnerships - Alternative	Not rated	11,028,644
Real estate holdings (investments not securities)	Not rated	797,472
Total Investments		<u><u>\$ 166,848,351</u></u>
Foundation		
U.S. government and agency securities	Moody's---Aaa	\$ 579,418
Corporate bonds	A1	62,739
Corporate bonds	A2	187,906
Corporate bonds	A3	347,470
Corporate bonds	AAA	129,582
Corporate bonds	AA2	95,859
Corporate bonds	BAA1	282,766
Government bonds	Not rated	254,609
Domestic equity securities	Not rated	43,229,185
Mutual funds	Not rated	25,912,120
Foreign equity securities	Not rated	22,387,853
Mortgage-backed securities	AAA+	3,952,687
Limited partnerships - Alternative	Not rated	32,119,416
Other investments (real estate and accrued investment interest)	Not rated	2,678,538
Total Investments		<u><u>\$ 132,220,148</u></u>

A summary of the investments at June 30, 2017, and their exposure to credit risk follows:

	Rating	Fair Value
University		
U.S. agency securities	S&P/Moody's - AA+/Aaa	\$ 75,359,739
Certificates of deposits	Federally insured	4,250,000
Certificates of deposits	Subject to custodial credit risk	19,311
U.S. treasury securities	Not rated	62,995
Domestic equity securities	Not rated	523,952
Pooled Investments		
U.S. government and agency securities	Aaa	441,016
Mortgage-backed securities	AAA	1,515,793
Domestic equity securities	Not rated	18,356,262
Corporate bonds	A1 to BAA1	550,110
Foreign equity securities	Not rated	7,408,103
Limited partnerships - Alternative	Not rated	10,100,918
Real estate holdings (investments not securities)	Not rated	699,300
Total Investments		<u>\$ 119,287,499</u>
Foundation		
U.S. government and agency securities	Moody's---Aaa	\$ 885,919
Corporate bonds	A1	297,463
Corporate bonds	A2	258,186
Corporate bonds	A3	636,162
Corporate bonds	BAA1	382,059
Government bonds	Not rated	344,971
Domestic equity securities	Not rated	38,787,319
Mutual funds	Not rated	18,799,170
Foreign equity securities	Not rated	21,194,612
Mortgage-backed securities	AAA	4,336,691
Limited partnerships - Alternative	Not rated	28,898,765
Other investments (real estate and accrued)		
Investment interest)	Not rated	2,416,865
Total Investments		<u>\$ 117,238,182</u>

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of an entity's investment in a single issuer. The University diversifies its use of investment instruments to avoid incurring unreasonable risk inherent in over-investing in specific instruments, individual financial institutions or maturities. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio is invested in a single security type or with a single financial institution or at a single maturity. The University holds no investments subject to concentration of credit risk with any issuer that represents 5% or more of total investments.

Custodial Credit Risk – Deposits. This is the risk that in the event of a bank failure, the University's deposits may not be returned. Neither the University, nor its discretely presented component unit, the

Foundation, has a deposit policy for custodial credit risk. As of June 30, 2018 and 2017, total bank balances of the University were \$79,544,359 and \$67,314,195, respectively. None of these balances are subject to custodial credit risk.

Custodial Credit Risk – Investments. This is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the investments are subject to custodial credit risk.

Fair Value of Assets and Liabilities. GASB Statement No.72 (*Fair Value Measurement and Application*) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities.

Level 2

If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include governmental and corporate bonds, foreign obligations, and collateralized mortgage backed securities.

Level 3

Investments classified within Level 3 have significant unobservable inputs. The valuation of these funds is determined by unobservable inputs such as recent purchases and sales, underlying fund holdings, and information provided by fund managers and general partners including: audited financials, unaudited financial statements, and net asset valuations.

Investments that do not have a readily determinable fair value are recorded using net asset value (NAV). NAV is generally provided by the investment managers but the Foundation considers the reasonableness of the NAV, based on market information, to arrive at the fair value estimate for each investment.

In certain cases, both observable and unobservable inputs may be used to determine the fair value of investments and, in such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The degree of judgment exercised in determining fair value is greatest for investments in Level 3. Because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material. Level 3 investments at the University consist of land and buildings held at the Foundation.

The following is a description of the valuation methodologies used for assets measured at fair value.

Government Securities and Corporate Bonds are valued at the closing price reported on the major market on which the individual securities are traded or have reported broker trades which may be considered indicative of an active market. Where quoted prices are available in an active market, the investments are classified within Level 1 of the valuation hierarchy. If quoted prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, discounted cash flows and other observable inputs. Such securities would be classified within Level 2 of the valuation hierarchy.

Hedge Fund and Venture Capital Investments, which are not readily marketable, are carried at estimated fair values. Fair value is based upon information provided by the management of each Fund, including audited financial statements and any other relevant factors. Because of the absence of a readily determinable fair value and the inherent uncertainty of valuation, the estimated fair value may differ significantly from the value that would have been used had a ready market for the investment existed, and the difference could be material. These investments are not immediately redeemable at the reporting date. These investments have significant unobservable inputs and are classified as NAV.

Real Estate is valued at current appraisal or fair value. Real estate is classified within Level 3 of the valuation hierarchy.

Equity Securities are valued at the closing price reported on the active market on which the individual securities are traded and are classified within Level 1 of the valuation hierarchy. Nonredeemable securities are not reported on the active market and are classified within Level 3 of the valuation hierarchy.

The following table presents the fair value measurements of University assets recognized in the accompanying Statement of Net Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018.

2018	Balance as of June 30, 2018	Quoted Prices in Active Markets For Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities				
U.S. treasury securities	\$ 29,028,277	\$ 29,028,277	\$ -	\$ -
Agency securities (GSEs)	84,891,857	-	84,891,857	-
Corporate bonds	5,075,995	-	5,075,995	-
Certificate of deposit (NCD)	4,477,370	-	4,477,370	-
Total Debt Securities	<u>123,473,499</u>	<u>29,028,277</u>	<u>94,445,222</u>	<u>-</u>
Equity Securities				
Common	486,350	486,350	-	-
Preferred	71,260	71,260	-	-
Nonredeemable securities	1,000	-	-	1,000
Total Equity Securities	<u>558,610</u>	<u>557,610</u>	<u>-</u>	<u>1,000</u>
Total Investments by Fair Value Level	<u>124,032,109</u>	<u>\$ 29,585,887</u>	<u>\$ 94,445,222</u>	<u>\$ 1,000</u>
Investments held by Foundation				
Corporate stocks and bonds	\$ 22,899,302	\$ 22,519,429	\$ 379,873	\$ -
Mutual funds	6,439,021	6,439,021	-	-
Mortgage backed securities	1,357,209	930,525	426,684	-
Government bonds	286,374	-	286,374	-
Real estate holdings	797,472	-	-	797,472
Total investments Held by Foundation by Fair Value Level	<u>31,779,378</u>	<u>\$ 29,888,975</u>	<u>\$ 1,092,931</u>	<u>\$ 797,472</u>
Investments Held by Foundation measured by NAV				
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Fund Investments				
Multi-strategy	\$ 8,125,142	\$ -	Monthly	45 Days
Equity long/short	1,510,602	405,376	Monthly	30 Days
Total Hedge Fund Investments	<u>9,635,744</u>	<u>405,376</u>		
Domestic Venture Capital Investments				
Venture capital	1,392,900	-		
Total Domestic Venture Capital Investments	<u>1,392,900</u>	<u>-</u>	None	None
Total Investments Held by Foundation measured by NAV	<u>11,028,644</u>	<u>\$ 405,376</u>		
Other Investments held by Foundation				
Accrued interest income	8,220			
Total Investments	<u>\$ 166,848,351</u>			

The following table presents the fair value measurements of University assets recognized in the accompanying Statement of Net Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2017.

2017	Balance as of June 30, 2017	Quoted Prices in Active Markets For Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities				
U.S. treasury securities	\$ 62,995	\$ 62,995	\$ -	\$ -
Agency securities (GSEs)	75,359,739	-	75,359,739	-
Certificate of deposit (NCD)	4,269,311	-	4,269,311	-
Total Debt Securities	<u>79,692,045</u>	<u>62,995</u>	<u>79,629,050</u>	<u>-</u>
Equity Securities				
Common	450,871	450,871	-	-
Preferred	73,081	73,081	-	-
Total Equity Securities	<u>523,952</u>	<u>523,952</u>	<u>-</u>	<u>-</u>
Total Investments by Fair Value Level	<u>80,215,997</u>	<u>\$ 586,947</u>	<u>\$ 79,629,050</u>	<u>\$ -</u>
Investments held by Foundation				
Corporate stocks and bonds	\$ 18,356,261	\$ 18,356,261	\$ -	\$ -
Mutual funds	7,408,103	7,408,103	-	-
Mortgage backed securities	1,505,007	-	1,505,007	-
Government bonds	550,111	-	550,111	-
U.S. government and agency securities	441,016	-	441,016	-
Real estate holdings	699,300	-	-	699,300
Total investments Held by Foundation by Fair Value Level	<u>28,959,798</u>	<u>\$ 25,764,364</u>	<u>\$ 2,496,134</u>	<u>\$ 699,300</u>
Investments Held by Foundation measured by NAV				
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Fund Investments				
Multi-strategy	\$ 7,477,736	\$ -	Monthly	45 Days
Equity long/short	1,811,126	549,981	Monthly	30 Days
Total Hedge Fund Investments	<u>9,288,862</u>	<u>549,981</u>		
Domestic Venture Capital Investments				
Venture capital	812,056	-		
Total Domestic Venture Capital Investments	<u>812,056</u>	<u>-</u>	None	None
Total Investments Held by Foundation measured by NAV	<u>10,100,918</u>	<u>\$ 549,981</u>		
Other Investments held by Foundation				
Accrued interest income	10,786			
Total Investments	<u>\$ 119,287,499</u>			

Note 4 – Accounts Receivable and Unearned Revenue

Accounts receivable consists of the following at June 30, 2018 and 2017:

	2018	2017
University		
Student tuition and fees	\$ 52,057,837	\$ 48,380,978
Federal, state, and private grants and contracts	30,627,204	34,318,807
Other	5,297,510	5,558,966
Due from Component Unit	2,132,358	1,500,977
Less: allowance for doubtful accounts	<u>(37,757,802)</u>	<u>(35,452,648)</u>
Net accounts receivable	<u>\$ 52,357,107</u>	<u>\$ 54,307,080</u>
Foundation		
Net miscellaneous accounts receivable	<u>\$ 10,781,211</u>	<u>\$ 9,791,044</u>

The allowance for doubtful accounts includes consideration for the credit risk associated with the various receivables.

Unearned revenue consists of the following at June 30, 2018 and 2017:

	2018	2017
University		
Student tuition and fees	\$ 3,427,642	\$ 1,265,063
Federal, state, and private grants and contracts	6,074,450	6,982,733
Other	<u>257,567</u>	<u>218,976</u>
Total unearned revenue	<u>\$ 9,759,659</u>	<u>\$ 8,466,772</u>
Foundation		
Total unearned revenue	<u>\$ 414,367</u>	<u>\$ 430,356</u>

Note 5 – Capital Assets

Capital assets as detailed below are stated at cost, or if contributed, at acquisition value at the date of gift. Net interest expense incurred during the construction period on revenue bond funded projects is capitalized as an asset.

The University's main campus has New Mexico State District Court endorsed water rights equaling 11,454 acre feet per annum. As there is no cost basis for these assets, neither the water rights nor the livestock bred by the University are presented in the accompanying Statements of Net Position.

The State of New Mexico Land Office holds 193,272 surface and 254,627 sub-surface acres in trust for the University and manages the commercial use of this property including various leases and oil and gas exploration. The value of the land is recorded at the State of New Mexico Land Office; therefore this amount is not presented in the accompanying Statements of Net Position.

Changes in capital asset balances for the year ended June 30, 2018, were as follows:

	Balance July 1 2017	Additions	Transfers	Retirements	Balance June 30 2018
University					
Capital assets not depreciated:					
Land and land improvements	\$ 10,662,240	\$ -	\$ -	\$ -	\$ 10,662,240
Construction in progress	12,267,687	18,939,828	(15,212,085)	-	15,995,430
Total capital assets not being depreciated	<u>\$ 22,929,927</u>	<u>\$ 18,939,828</u>	<u>\$ (15,212,085)</u>	<u>\$ -</u>	<u>\$ 26,657,670</u>
Capital assets being depreciated:					
Buildings	\$ 761,856,800	\$ 749,236	\$ 12,661,505	\$ (2,418,926)	\$ 772,848,615
Infrastructure	83,176,532	-	2,550,580	-	85,727,112
Equipment	128,062,598	5,438,214	-	(19,683,802)	113,817,010
Software	15,019,693	157,570	-	(77,179)	15,100,084
Library books	85,833,188	3,273,021	-	(145,897)	88,960,312
Total other capital assets	<u>1,073,948,811</u>	<u>9,618,041</u>	<u>15,212,085</u>	<u>(22,325,804)</u>	<u>1,076,453,133</u>
Less accumulated depreciation for:					
Buildings	(368,529,602)	(20,849,376)	-	360,307	(389,018,671)
Infrastructure	(49,377,066)	(3,218,782)	-	-	(52,595,848)
Equipment	(99,698,155)	(6,733,548)	-	19,145,196	(87,286,507)
Software	(13,560,846)	(630,024)	-	50,825	(14,140,045)
Library books	(62,812,672)	(3,083,305)	-	145,897	(65,750,080)
Total accumulated depreciation	<u>(593,978,341)</u>	<u>(34,515,035)</u>	<u>-</u>	<u>19,702,225</u>	<u>(608,791,151)</u>
Capital assets being depreciated, net	<u>\$ 479,970,470</u>	<u>\$ (24,896,994)</u>	<u>\$ 15,212,085</u>	<u>\$ (2,623,579)</u>	<u>\$ 467,661,982</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 22,929,927	\$ 18,939,828	\$ (15,212,085)	\$ -	\$ 26,657,670
Other capital assets, at cost	1,073,948,811	9,618,041	15,212,085	(22,325,804)	1,076,453,133
Total cost of capital assets	<u>1,096,878,738</u>	<u>28,557,869</u>	<u>-</u>	<u>(22,325,804)</u>	<u>1,103,110,803</u>
Less: accumulated depreciation	<u>(593,978,341)</u>	<u>(34,515,035)</u>	<u>-</u>	<u>19,702,225</u>	<u>(608,791,151)</u>
Capital assets, net	<u>\$ 502,900,397</u>	<u>\$ (5,957,166)</u>	<u>\$ -</u>	<u>\$ (2,623,579)</u>	<u>\$ 494,319,652</u>
Foundation					
Capital assets	\$ 728,337	\$ 75,608	\$ -	\$ (48,700)	\$ 755,245
Less: accumulated depreciation	(668,727)	(28,882)	-	48,007	(649,602)
Capital assets, net	<u>\$ 59,610</u>	<u>\$ 46,726</u>	<u>\$ -</u>	<u>\$ (693)</u>	<u>\$ 105,643</u>

Changes in capital asset balances for the year ended June 30, 2017, were as follows:

	Balance July 1 2016	Additions	Transfers	Retirements	Balance June 30 2017
University					
Capital assets not depreciated:					
Land and land improvements	\$ 10,696,079	\$ -	\$ -	\$ (33,839)	\$ 10,662,240
Construction in progress	16,951,174	22,427,266	(27,098,744)	(12,009)	12,267,687
Total capital assets not being depreciated	<u>\$ 27,647,253</u>	<u>\$ 22,427,266</u>	<u>\$ (27,098,744)</u>	<u>\$ (45,848)</u>	<u>\$ 22,929,927</u>
Capital assets being depreciated:					
Buildings	\$ 738,367,241	\$ 85,864	\$ 25,649,159	\$ (2,245,464)	\$ 761,856,800
Infrastructure	80,221,060	1,505,887	1,449,585	-	83,176,532
Equipment	125,815,619	6,424,398	-	(4,177,419)	128,062,598
Software	14,944,055	95,521	-	(19,883)	15,019,693
Library books	82,618,969	3,318,021	-	(103,802)	85,833,188
Total other capital assets	<u>1,041,966,944</u>	<u>11,429,691</u>	<u>27,098,744</u>	<u>(6,546,568)</u>	<u>1,073,948,811</u>
Less accumulated depreciation for:					
Buildings	(349,471,559)	(21,245,840)	-	2,187,797	(368,529,602)
Infrastructure	(46,278,891)	(3,098,175)	-	-	(49,377,066)
Equipment	(96,601,653)	(6,926,290)	-	3,829,788	(99,698,155)
Software	(12,399,197)	(1,181,532)	-	19,883	(13,560,846)
Library books	(59,894,529)	(3,021,945)	-	103,802	(62,812,672)
Total accumulated depreciation	<u>(564,645,829)</u>	<u>(35,473,782)</u>	<u>-</u>	<u>6,141,270</u>	<u>(593,978,341)</u>
Capital assets being depreciated, net	<u>\$ 477,321,115</u>	<u>\$ (24,044,091)</u>	<u>\$ 27,098,744</u>	<u>\$ (405,298)</u>	<u>\$ 479,970,470</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 27,647,253	\$ 22,427,266	\$ (27,098,744)	\$ (45,848)	\$ 22,929,927
Other capital assets, at cost	1,041,966,944	11,429,691	27,098,744	(6,546,568)	1,073,948,811
Total cost of capital assets	<u>1,069,614,197</u>	<u>33,856,957</u>	<u>-</u>	<u>(6,592,416)</u>	<u>1,096,878,738</u>
Less: accumulated depreciation	<u>(564,645,829)</u>	<u>(35,473,782)</u>	<u>-</u>	<u>6,141,270</u>	<u>(593,978,341)</u>
Capital assets, net	<u>\$ 504,968,368</u>	<u>\$ (1,616,825)</u>	<u>\$ -</u>	<u>\$ (451,146)</u>	<u>\$ 502,900,397</u>
Foundation					
Capital assets	\$ 741,412	\$ 6,259	\$ -	\$ (19,334)	\$ 728,337
Less: accumulated depreciation	(598,510)	(89,551)	-	19,334	(668,727)
Capital assets, net	<u>\$ 233,879</u>	<u>\$ (83,292)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,610</u>

Note 6 – Long-Term Liabilities

A summary of changes in long-term liabilities for the University and Discrete Component Unit for the year ended June 30, 2018, follows:

	Balance July 1 2017, as restated			Balance June 30 2018	Current Portion (due in 2019)	
		Additions	Reductions			
University						
Bonds and contracts payable:						
Revenue bonds payable	\$ 105,317,291	\$ 78,921,450	\$ (33,593,201)	\$ 150,645,540	\$ 6,055,000	
Subordinate revenue note	12,985,000	-	(820,000)	12,165,000	880,000	
Contracts payable	801,550	154,800	(444,273)	512,077	316,930	
Total bonds and contracts	<u>119,103,841</u>	<u>79,076,250</u>	<u>(34,857,474)</u>	<u>163,322,617</u>	<u>7,251,930</u>	
Other liabilities:						
Accrued compensated absences	17,501,384	2,559,253	(4,386,413)	15,674,224	3,134,846	
Other post employment benefits	134,552,969	4,869,768	(5,523,530)	133,899,207	5,524,000	
Net pension liability	507,687,518	269,722,768	(26,736,537)	750,673,749	-	
Accrued benefit reserve	659,630	-	-	659,630	-	
Other	539,287	227,946	-	767,233	-	
Total other liabilities	<u>660,940,788</u>	<u>277,379,735</u>	<u>(36,646,480)</u>	<u>901,674,043</u>	<u>8,658,846</u>	
Total long-term liability	<u>\$ 780,044,629</u>	<u>\$ 356,455,985</u>	<u>\$ (71,503,954)</u>	<u>\$1,064,996,660</u>	<u>\$ 15,910,776</u>	
	Balance July 1 2017	Additions	Reductions	Changes in Estimate	Balance July 1 2018	Current Portion (due in 2019)
Foundation						
Gift annuities payable	\$561,203	\$ -	\$ (23,016)	\$ (189,295)	\$ 2,348,892	\$ 161,346
Payable under unitrusts	154,280	-	-	(14,099)	140,181	29,525
Total long-term liabilities	<u>\$715,483</u>	<u>\$ -</u>	<u>\$ (23,016)</u>	<u>\$ (203,394)</u>	<u>\$ 2,489,073</u>	<u>\$ 190,871</u>

A summary of changes in long-term liabilities for the University and Discrete Component Unit for the year ended June 30, 2017, follows:

	Balance July 1 2016	Additions	Reductions	Balance June 30 2017	Current Portion (due in 2018)	
University						
Bonds and contracts payable:						
Revenue bonds payable	\$ 114,075,730	\$ -	\$ (8,758,439)	\$ 105,317,291	\$ 8,240,000	
Subordinate revenue note	13,745,000	-	(760,000)	12,985,000	820,000	
Contracts payable	1,001,751	158,714	(358,915)	801,550	426,885	
Total bonds and contracts	<u>128,822,481</u>	<u>158,714</u>	<u>(9,877,354)</u>	<u>119,103,841</u>	<u>9,486,885</u>	
Other liabilities:						
Accrued compensated absences	18,049,935	4,464,228	(5,012,779)	17,501,384	4,240,471	
Other post employment benefits	31,006,000	6,895,000	(4,422,000)	33,479,000	5,524,000	
Net pension liability	473,733,007	61,960,808	(28,006,297)	507,687,518	-	
Accrued benefit reserve	659,630	-	-	659,630	-	
Other	536,111	3,176	-	539,287	-	
Total other liabilities	<u>523,984,683</u>	<u>73,323,212</u>	<u>(37,441,076)</u>	<u>559,866,819</u>	<u>9,764,471</u>	
Total long-term liabilities	<u>\$652,807,164</u>	<u>\$ 73,481,926</u>	<u>\$ (47,318,430)</u>	<u>\$678,970,660</u>	<u>\$ 19,251,356</u>	
Foundation						
	Balance July 1 2016	Additions	Reductions	Changes in Estimate	Balance July 1 2017	Current Portion (due in 2018)
Gift annuities payable	\$ 2,780,960	\$ -	\$ (65,887)	\$ (153,870)	\$ 2,561,203	\$ 167,357
Payable under unitrusts	167,564	-	-	(13,284)	154,280	29,525
Total long-term liabilities	<u>\$ 2,948,524</u>	<u>\$ -</u>	<u>\$ (65,887)</u>	<u>\$ (167,154)</u>	<u>\$ 2,715,483</u>	<u>\$ 196,882</u>

Bonds Payable. The University issued the 2017 refunding and improvement revenue bonds (Series 2017A Refunding and Improvement Revenue Bonds, 2017B Taxable Refunding Revenue Bonds, and the 2017C Refunding Revenue Bonds). Proceeds of the Series 2017A Bonds were used, in part, to currently refund at par the Series 2006 Bonds. The University is undertaking the current refunding of the Series 2006 Bonds for economic savings.

The refunding transactions resulted in a total economic loss of \$1,113,729, including the economic savings from Series 2006 refunding and an accounting loss of \$693,085. The net difference in cash outflows from the refundings will be an additional \$9,793,395. As of June 30, 2018, there are \$18,940,000 of outstanding bonds have been defeased through an irrevocable trust. All other outstanding University revenue bonds as of June 30, 2018 were issued as parity bonds and are all tax-exempt, with the exception of the Series 2013C, Series 2010B, and Series 2010C bonds. All bonds are payable solely from, and secured by, a pledge of and a non-exclusive first lien on certain pledged revenues. The revenues pledged to meet these debt obligations are student tuition and fees, sales and services, other operating income, investment income, and building fees. Interest payments are made twice a year, on October 1 and April 1 while principal is paid annually on April 1. Allowable premiums, and discounts on bonds payable are recorded in total and amortized according to the bonds outstanding method, which approximates the effective interest method.

The bond interest expense incurred for the fiscal years 2018 and 2017 was \$6,351,560 and \$4,945,420, respectively, net of interest income. Of these amounts, \$1,255,550 and \$429,579 was capitalized during fiscal years 2018 and 2017, respectively.

Total University bonds issued and outstanding at June 30, 2018 and 2017, excluding bonds issued by the Community College Districts, (See Note 13), consisted of:

	Total Issued	<u>Outstanding</u>	
		2018	2017
Improvement Revenue Bonds			
Bond Series 2006, (4.00% - 5.25%) Final Maturity 2026	\$ 10,245,000	\$ -	\$ 5,680,000
Refunding and Improvement Revenue Bonds			
Bond Series 2010A, 2010B, 2010C, 2010D (1.89% - 5.27%) Final Maturity 2030	78,670,000	46,505,000	54,810,000
Refunding and Improvement Revenue Bonds			
Bond Series 2013A, 2013B, 2013C (2.00% - 5.00%) Final Maturity 2033	56,200,000	23,345,000	41,695,000
Refunding and Improvement Revenue Bonds			
Bond Series 2017A, 2017B, 2017C (1.75% - 5.00%) Final Maturity 2042	73,240,000	72,045,000	-
Total Bonds Payable	218,355,000	141,895,000	102,185,000
Plus: Unamortized Net Premium	17,590,465	8,750,540	3,132,291
Bonds Payable, net	<u>\$ 235,945,465</u>	<u>\$ 150,645,540</u>	<u>\$ 105,317,291</u>

The maturity schedule for the University bonds payable at June 30, 2018, follows:

Year Ending June 30	Principal	Interest
2019	\$ 6,055,000	\$ 6,828,375
2020	7,075,000	6,572,799
2021	9,165,000	6,256,308
2022	9,180,000	5,827,102
2023	9,175,000	5,383,314
2024-2028	42,615,000	20,283,317
2029-2033	32,050,000	9,839,764
2034-2038	18,665,000	4,201,793
2039-2042	7,915,000	1,013,500
Total	<u>\$ 141,895,000</u>	<u>\$ 66,206,272</u>

Notes Payable. The Board of Regents issued a tax-exempt Subordinate Lien Improvement Revenue Note, Series 2014 on April 21, 2014 in a direct purchase with BOKF, NA dba Bank of Albuquerque. The original principal amount of the note was \$15,865,000 and the interest rate is 3.07%. The note is payable solely from, and secured by, a pledge of, and a non-exclusive subordinate lien on the following revenues: student tuition and fees; sales and service revenue; other operating revenue; investment income; and, building fees. Interest payments began on October 1, 2014 and are due semiannually thereafter on April 1 and October 1 of each year. Principal payments are due April 1 each year, beginning April 1, 2016. The note matures April 1, 2029.

The interest expense incurred on the note was \$398,640 and \$421,972 for fiscal years ended June 30, 2018 and 2017, respectively.

The maturity schedule for the subordinate revenue note at June 30, 2018, follows:

Year Ending June 30	Principal	Interest
2019	\$ 880,000	\$ 373,466
2020	945,000	346,450
2021	1,015,000	317,438
2022	1,090,000	286,278
2023	1,165,000	252,815
2024-2028	7,070,000	678,317
Total	<u>\$ 12,165,000</u>	<u>\$ 2,254,764</u>

Contracts Payable. The University acquires various types of equipment under capital lease agreements. All lease agreements contain a fiscal funding clause, which allows the lease agreements to be canceled if funding for future periods is not appropriated. University administration believes that the likelihood of this occurrence is remote. The following tables detail the carrying value of assets acquired under these arrangements, the net present value of minimum lease payments, future minimum lease payments and the portion of the lease payments representing interest at June 30, 2018.

Type of Property	Asset Carrying Value	Net Present Value of Minimum Lease Payments
Office equipment	\$ 378,640	\$ 285,177
Computer equipment	577,710	226,900
Total	<u>\$ 956,350</u>	<u>\$ 512,077</u>

Year Ending June 30	Principal	Interest	Minimum Payments
2019	\$ 316,931	\$ 15,873	\$ 332,804
2020	75,604	10,440	86,044
2021	69,975	5,736	75,711
2022	37,218	2,019	39,237
2023	12,349	178	12,527
Total	<u>\$ 512,077</u>	<u>\$ 34,246</u>	<u>\$ 546,323</u>

Note 7 – Health Insurance

The University provides group health insurance coverage for all regular employees working 30 hours per week or more and term appointment employees working 30 hours per week or more. Coverage is optional and is available the first pay period after 30 days of employment. The University's portion of the premium is based on the employee's annual salary. Employee contributions are required for personal, as well as spouse, qualified domestic partner and dependent coverage.

The University participates in the State of New Mexico (State) group health insurance program. Premiums are paid to the State. The State program assumes full responsibility for all claims.

Eligible retirees who were enrolled in health insurance for a minimum of ten consecutive years prior to retirement may elect to continue health insurance coverage through the University's program. The University contributes 60% of the premiums for retirees and their dependents until the retiree reaches age 70, after which, the University contributes 30%. Retiree health insurance is not offered to employees hired after June 30, 2016.

The University participates in a fully insured plan for the eligible active retirees. Premiums are paid to the insurance carrier. The insurance carrier assumes full responsibility for all claims.

Note 8 – Retirement Programs

The University 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.

A. Educational Retirement Act

Plan Description. Substantially all of the University's eligible employees, except those who participate in the Alternative Retirement Plan (ARP) described below, participate in a public employee retirement system authorized under the Educational Retirement Act (ERA) of the State of New Mexico (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

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

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

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

	2018	2017	2016
Employee's earning \$20,000 or less:			
University contribution	13.90%	13.90%	13.90%
Employee contribution	7.90%	7.90%	7.90%
Employee's earning more than \$20,000:			
University contribution	13.90%	13.90%	13.90%
Employee contribution	10.70%	10.70%	10.70%
University's contribution to ERB	\$ 24,574,007	\$ 25,880,341	\$ 26,736,537
University's contribution to ERB for Return to Work Program	\$230,807	\$209,946	\$211,022

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, 2016. The total ERB pension liability was rolled forward from the valuation date to the plan year June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. At June 30, 2018 and 2017 the University reported liabilities of \$750,673,749 and \$507,687,518, respectively, for its proportionate share of the net pension liability. The proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2017. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2017, the University's proportion was 6.75462% which was a decrease of 0.30009% from its proportion measured as of June 30, 2016. At June 30, 2016, the University proportion was 7.05471% which was a decrease of 0.25907% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2018, the University recognized a pension expense of \$105,576,830. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,347,530	\$ 11,564,818
Changes of assumptions	219,136,069	-
Net difference between projected and actual earnings on pension plan investments	-	102,977
Changes in proportion and differences between University contributions and proportionate share of contributions	-	25,955,363
University contributions subsequent to the measurement date	25,880,341	-
Total	<u>\$ 246,363,940</u>	<u>\$ 37,623,158</u>

The \$25,880,341 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date of June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

For the year ended June 30, 2017, the University recognized a pension expense of \$38,141,503. At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,202,537	\$ 4,828,749
Changes of assumptions	10,334,483	-
Net difference between projected and actual earnings on pension plan investments	30,304,718	-
Changes in proportion and differences between University contributions and proportionate share of contributions	531,860	19,830,352
University contributions subsequent to the measurement date	<u>26,736,537</u>	<u>-</u>
Total	<u>\$ 70,110,135</u>	<u>\$ 24,659,101</u>

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

Year Ending June 30	
2019	\$ 65,863,322
2020	75,753,721
2021	47,424,615
2022	<u>(6,181,217)</u>
	<u>\$ 182,860,441</u>

Actuarial assumptions: As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2016. The total ERB pension liability was rolled forward from the valuation date to the Plan year June 30, 2017 using generally accepted actuarial principles. Specifically, the liabilities measured as of June 30, 2017 incorporate the following assumptions:

All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ended June 30, 2015 and thereafter.

Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.

COLAs for most retirees are reduced until ERB attains a 100% funded status.

These assumptions were adopted by ERB on June 12, 2015 in conjunction with the six-year experience study period June 30, 2014.

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

The actuarial methods and assumptions used to determine total pension liability included in the measurement are as follows:

Inflation	2.50%
Salary Increases	Composition; 2.50% inflation, plus .75% productivity increase rate, plus step-rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.25%
Single Discount Rate	5.90%
Retirement Age	Experienced-based table rates based on age and service. Adopted by NMERB on June 12, 2015 in conjunction with the six- year experience study for the period ended June 30,2014.
Mortality	Healthy Males - RP-2000 Combined Mortality Table with white collar adjustments, generational mortality improvements with scale BB. Healthy Females - GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with scale BB from the table's base year of 2012.
Cost-of-living increases	1.90% per year, compounded annually
Payroll growth	3.00% per year
Contribution accumulation	5.5% increase per year for all years prior to the valuation date
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service
Actuarial Cost Method	Entry Age Normal

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

Changes of Benefit Terms and Assumptions: There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017. Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

The target allocation for each major asset class and total expected real rate of return are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Equities - Domestic	19%	
Equities - International	14%	
Fixed Income	26%	
Alternatives	40%	
Cash	1%	
Total	100%	7.25%

Discount rate: A single discount rate of 5.90% and 7.75% was used to measure the total ERB pension liability as of June 30, 2017 and June 30, 2016, respectively. For 2017, the single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.56%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long term expected rate of return on Plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date. For 2016, the single discount rate was based on the expected rate of return on pension investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of the current pension plan members.

Sensitivity of the University's proportionate shares of the net pension liability to changes in the discount rate: The following tables show the sensitivity of the net pension liability to changes in the discount rate as of fiscal year end 2018 and 2017. In particular, the table presents the University's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower, (4.90%) and (6.75%), or one percentage point higher, (6.90%) and (8.75%) than the single discount rate for June 30, 2017 and 2016, respectively.

	2018		
	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
New Mexico State University's proportionate share of the net pension liability	\$ 977,188,976	\$ 750,673,749	\$ 565,513,796

	2017		
	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
New Mexico State University's proportionate share of the net pension liability	\$ 672,420,328	\$ 507,687,518	\$ 371,005,825

Pension plan fiduciary net position: Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2017 and 2016 which are publicly available at www.erb.org.

B. Alternative Retirement Program

Plan Description. The New Mexico Alternative Retirement Plan (ARP) was established by amendment

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

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

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

	2018	2017	2016
Employee's earning \$20,000 or less:			
University contribution	10.90%	10.90%	10.90%
Employee contribution	7.90%	7.90%	7.90%
Employee's earning more than \$20,000:			
University contribution	10.90%	10.90%	10.90%
Employee contribution	10.70%	10.70%	10.70%
Administration fee to ERB	3.00%	3.00%	3.00%
Payroll expenses covered by ARP	\$ 29,453,438	\$ 29,449,905	\$ 27,853,706
University's contribution to the ERB for ARP	\$ 3,212,401	\$ 3,210,313	\$ 3,036,291
Administration fee paid to ERB for ARP	\$ 883,603	\$ 883,491	\$ 827,516
Employee contributions made to ARP	\$ 3,153,458	\$ 3,151,409	\$ 2,781,785

C. Federal Retirement Program

Plan Description. Certain employees of the University working under the auspices of the United States Department of Agriculture (through various University sponsored extension programs) are covered under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), established with the passage of Public Law 99-335. Both are defined benefit retirement plans. FERS is a three-tiered retirement plan (covering substantially all Federal employees hired subsequent to December 31, 1986) combining Social Security benefits with a basic benefit plan and a thrift savings plan. Employees hired prior to 1984 do not participate in Social Security, but have the ability to transfer to FERS at their own discretion. The CSRS and FERS are administered by the U.S. Office of Personnel Management, Retirement Operations Center, P.O. Box 45, Boyers, Pennsylvania 16017.

Contributions Required. Employees covered by CSRS and FERS are considered federal employees, and as such, are obligated to contribute according to the guidelines of the federal government. For the year ended June 30, 2018 there were 2 employees enrolled under CSRS and 11 employees under FERS.

A summary of member and employer contributions to the Federal Retirement Program is provided below:

	2018	2017	2016
Employee's covered by CSRS:			
University contribution	7.00%	7.00%	7.00%
Employee contribution	7.00%	7.00%	7.00%
Employee's covered by FERS:			
University contribution	13.70%	13.70%	13.70%
Employee contribution	0.80%	0.80%	0.80%
University's contribution	\$ 135,101	\$ 136,061	\$ 142,235
Employee's contribution	\$ 16,287	\$ 16,343	\$ 19,980

Note 9 – Other Postemployment Benefits Plan

Plan Description. New Mexico State University is a single employer that offers employees and their eligible dependents retiree benefits. This is an unfunded OPEB plan operating on a pay as you go basis. The authority to establish and amend the benefit provisions rests with the Board of Regents.

Retirees, who have had 10 consecutive years of health insurance coverage with the University at the time of retirement, are offered the opportunity to participate in a fully-insured PPO medical plan, including prescription drugs. Medicare retirees (for retirees 65 years of age and over) are offered the opportunity to participate in a Medicare carve-out medical plan, including prescription drugs. Eligible retired employees may select a Life Insurance benefit up to \$10,000. All premiums for life insurance are paid by the retiree.

The University currently pays 60% of the monthly medical and prescription premium for retirees and their eligible dependents until the retiree reaches age 70, at which time the University reduces their contribution to 30%. As of June 30, 2018, 1,347 retirees met the eligibility requirements for health insurance.

Employees hired after June 30, 2016 are not offered this benefit.

Plan Participation Percentage. The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 87% of all pre Medicare employees and their dependents who are eligible for early retirement will participate in the retiree medical plan. It is also assumed that 80% of those enrolled in the pre Medicare plans will continue on the plan once Medicare eligible. Lastly, it is assumed that 87% of all pre Medicare employees who are eligible for the retiree life insurance benefit will participate, and 90% of those enrolled will continue on the plan once Medicare eligible. This assumes that a one-time irrevocable election to participate is made at retirement.

Employees covered by benefit terms - At June 30, 2018, the following employees were covered by the benefit terms:

	2018
Current retirees receiving benefits	1,716
Inactive employees entitled but not yet receiving benefits	-
Current active members	2,594

Other Post Employment Benefits, OPEB expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB - Year Ended June 30, 2018 Presented in Accordance with GASB 75.

The following note disclosures related to OPEB pertains to fiscal year 2018 as a result of the implementation for GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions - an amendment of GASB Statement No. 45*.

Annual OPEB Cost and Net OPEB Obligation. The University's annual other postemployment benefit (OPEB) Service/Interest cost (expense) is the portion of the Actuarial Present Value of plan benefits and expenses for active employees which is allocated to a valuation year by the Actuarial Cost Method. The annual OPEB expense replaces the Annual Required Contribution (ARC from GASB 45), with faster recognition than what was previously required. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation related for fiscal year 2018:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Total OPEB Liability - Start of Year (July 1, 2017)	\$ 134,552,969	\$ -	\$ 134,552,969
Changes for the year			
Service cost	4,936,250	-	\$ 4,936,250
Interest cost	5,291,343	-	5,291,343
Changes in assumptions or other inputs	(5,357,825)	-	(5,357,825)
Benefit payments	<u>(5,523,530)</u>	<u>-</u>	<u>(5,523,530)</u>
Net change in total OPEB liability	<u>(653,762)</u>	<u>-</u>	<u>(653,762)</u>
Net OPEB Liability - End of Year (June 30,2018)	<u>\$ 133,899,207</u>	<u>\$ -</u>	<u>\$ 133,899,207</u>

The total OPEB liability and sensitive information were based on an annual actuarial valuation performed as of June 30, 2018.

A summary of the key results are shown below:

	2018
Present Value of Future Benefits	\$ 169,701,000
Total OPEB Liability (Beginning of Fiscal Year)	\$ 134,553,000
Total OPEB Liability (End of Fiscal Year)	\$ 133,899,207
Net OPEB Liability	\$ 133,899,207

For the year ended June 30, 2018, the University recognized a OPEB expense of \$9,202,601. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ (4,332,832)
Total	\$ -	\$ (4,332,832)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2019	\$ (1,024,992)
2020	(1,024,992)
2021	(1,024,992)
2022	(1,024,992)
2023	(232,864)
	<u>\$ (4,332,832)</u>

Reconciliation to Prior Valuation. Healthcare Analytics Consulting prepared a previous valuation under GASB 45 for the University on July 19, 2015, with an effective date of July 1, 2015. This prior valuation resulted in a liability of \$90.4 million. Projecting that liability forward to June 30, 2018 would produce an estimated liability of \$97 million. The table below shows the difference between the expected Net OPEB Liability (NOL) using the prior valuation assumptions and the current Unfunded Actuarial Accrued Liability (AAL).

Expected AAL	\$ 97,000,000
Current AAL	134,000,000
% Difference	38.14 %

The increase in liability is mostly due to: (1) a decrease in discount rate from 4.00% to 3.87%, (2) a change in actuarial cost method from Projected Unit Credit to Entry Age Normal, (3) an increase in the University's subsidy contribution and (4) an update to the participation assumptions using more recent experience.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Discount Rate	3.58% per annum (BOY) 3.87% per annum (EOY) <i>Source: Bond Buyer 20-Bond GO Index</i>
Salary Increase Rate	2.5% per annum
Inflation Rate	3.0% per annum
Mortality Rate	RP-2014 generational table scaled using MP17 and applied on a gender-specific basis

Other Information. The Entry Age Normal Actuarial Cost Method was used based on level percentage of projected salary. Experience/Assumptions gains and losses are amortized over a closed period of 5.2 years starting on July 1, 2017, equal to the average remaining service of active and inactive plan members (who have no future service). Currently, the plans are considered to be unfunded as there are no assets and retiree benefits are expected to be paid annually on a cash basis. The actuarial valuation assumes an annual health care cost trend on a select and ultimate basis: medical and prescription benefits on a select basis at 6.5% for retirees 65 years of age and under and 5.5% for retirees over 65 years of age and on an ultimate basis at 4.5%. The select trend rates are reduced .5% each year until reaching the ultimate trend.

Health Care Trend Sensitivity Analysis. The following schedule measures the Net OPEB Liability if the health care cost trend rate used was 1% higher than than the assumed health care cost trend rate and 1% lower than the assumed health care cost trend rate.

	2018		
	1% Decrease	Current Trend	1% Increase
New Mexico State University's net OPEB liability	\$ 155,588,873	\$ 133,899,207	\$ 117,095,000

Discount Rate Sensitivity Analysis. The following table shows the sensitivity of the OPEB liability to changes in the discount rate as of fiscal year end 2018. In particular, the table presents the University's OPEB liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower, (2.87%) and (4.87%) for June 30, 2018.

	2018		
	1% Decrease (2.87%)	Current Discount Rate 3.87%	1% Increase (4.87%)
New Mexico State University's net OPEB liability	\$ 153,925,016	\$ 133,899,207	\$ 117,765,178

Other Post Employment Benefits, OPEB expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB - Year Ended June 30, 2017 Presented in Accordance with GASB 45.

Funding Policy. The University does not use a trust fund to administer the financing and payment of benefits. The retired employees that elect to participate in post-employment benefits are required to

make contributions in the form of monthly premiums based on current rates established under the medical and life plans.

The University funds the plan on a pay-as-you-go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits, and includes all expected claims and related expenses and is offset by retiree contributions. The pay-as-you-go expense for fiscal years 2018 and 2017 were \$5,523,530 and \$4,422,000, respectively, net of retiree contributions.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016, actuarial valuation related for fiscal year 2017, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% annual discount rate, assuming the University funds the retirement benefit on a pay-as-you go basis. Currently, the plans are considered to be unfunded as there are no assets and retiree benefits are expected to be paid annually on a cash basis. The actuarial valuation assumes an annual health care cost trend on a select and ultimate basis: medical and prescription benefits on a select basis at 7.5% for retirees 65 years of age and under and 6.5% for retirees over 65 years of age and on an ultimate basis at 4.5%. The select trend rates are reduced .5% each year until reaching the ultimate trend. The Unfunded Actuarial Accrued Liability is amortized over the maximum acceptable period of 30 years and is calculated assuming a level percentage of projected payrolls. Payroll is projected to increase 2.5% per year.

Annual OPEB Cost and Net OPEB Obligation. The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation related to fiscal year 2017:

	2017
Annual required contribution	\$ 6,921,000
Interest on net OPEB obligation	1,240,000
Adjustment to annual required contribution	<u>(1,266,000)</u>
Annual OPEB cost (expense)	6,895,000
Contributions made	<u>(4,422,000)</u>
Increase in net OPEB obligation	2,473,000
Net OPEB obligation beginning of year	<u>31,006,000</u>
Net OPEB obligation end of year	<u><u>\$ 33,479,000</u></u>

The percentage of annual OPEB cost contributed to the plan was 55%, 53% and 47% for fiscal years 2017, 2016, and 2015, respectively.

Funded Status and Funding Progress. As of June 30, 2016, the updated actuarial valuation date, the present value of all future expected post-retirement health payments and administrative costs attributable to past service, was \$90,297,000 and the actuarial value of assets was zero. The covered

payroll (annual payroll of active employees covered by the plan) was \$164,627,765 and the ratio of the UAAL to the covered payroll was 55%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress and Employee Contributions (Schedule 5), presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 10 – Commitments

Capitalizable Project Commitments and Financing. The University has entered into contracts for the construction and renovation of various facilities. At June 30, 2018, the estimated remaining costs to complete these and other in-house construction and renovation projects was approximately \$84.5 million. These projects are in various stages of completion. Those deemed to be major projects are expected to be completed by August 2019. The remaining cost of all budgeted projects (both capital and non-capital) will be financed as follows:

Funding Sources	Amount
Revenue bonds	\$ 29,210,704
General obligation bonds (State of New Mexico)	21,235,724
General obligation bonds (local)	7,516,063
Severance tax bonds (State of New Mexico)	215,169
University funds	15,257,620
State funds	8,760,137
Gifts, grants and contracts	2,325,577
Total	<u>\$ 84,520,994</u>

Operating Leases. The University is obligated under certain lease (rental) agreements which are accounted for as operating leases. The items being leased are primarily office and storage facilities and office equipment. Incorporated into each lease agreement is a fiscal funding clause which allows the University to cancel the operating lease if funding for future periods is not appropriated. As with contracts payable, University administration considers the likelihood of such an occurrence to be remote.

Future minimum rental payments required under operating leases are as follows:

Year Ending June 30	Minimum Payments
2019	\$ 990,622
2020	595,279
2021	364,298
2022	118,226
2023	24,207
Years thereafter	52,700
Total minimum lease payments	<u>\$ 2,145,332</u>

Operating lease payments made in fiscal years 2018 and 2017 are as follows:

	2018	2017
Minimum rentals	\$ 1,045,886	\$ 1,040,458
Contingent rentals	127,197	190,238
Total lease payments	<u>\$ 1,173,083</u>	<u>\$ 1,230,696</u>

Contingent rentals are determined based on usage clauses in certain contracts.

Other Commitments. At June 30, 2018, the University had outstanding purchase orders for materials and services which were not received, and thus are not recorded as liabilities in the accompanying Statements of Net Position. The approximate amount of such commitments is \$25.1 million.

Note 11 - Component Units

The following entities support the University in accomplishing its various missions. These entities were selected for inclusion based on criteria as set forth in GASB 14, The Reporting Entity, GASB 39, Determining Whether Certain Organizations Are Component Units, GASB 61, Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34 and GASB 80, Blending Requirements for Certain Component Units - an amendment of GASB Statement No 14. Complete financial statements for these component units can be obtained from each respective administrative office at the addresses listed below.

The Foundation is discretely presented on the face of the financial statements, as prescribed by GASB 14, amended by GASB 39, and further amended by GASB 61. The entity qualifies as discretely presented according to GASB 14, paragraph 40a, because of the nature and significance of its relationship with the University. This relationship meets the direct benefit, access to economic resources and significance of resources criteria. The other component units are blended because the University either completely controls its activities or the entity provide services entirely, or almost entirely to the University in accordance with GASB 39 and GASB 80.

Arrowhead Center, Inc. Arrowhead Center, Inc., a blended component unit, was organized pursuant to the provisions of the State of New Mexico University Research Park Act of 1989. Its purposes are to promote and contribute to economic development and protect, license, and market intellectual property developed by faculty, staff, and students of the University, as well as members of the community, in order to further research and economic development for the State of New Mexico. Arrowhead Center, Inc.'s address is: Arrowhead Center, Inc., MSC 3CR, P.O. Box 30001, Las Cruces, NM 88003.

Summary financial information as of June 30, 2018 and 2017, and for the fiscal years then ended follows:

	2018	2017
Net Position		
Total assets	\$ 1,146,658	\$ 902,167
Total liabilities	83,328	104,459
Total net position	<u>\$ 1,063,330</u>	<u>\$ 797,708</u>
Changes in Net Position		
Total revenues	\$ 923,398	\$ 883,301
Total expenditures	657,776	765,795
Change in net position	265,622	117,506
Net position, beginning	797,708	680,202
Net position, ending	<u>\$ 1,063,330</u>	<u>\$ 797,708</u>

The New Mexico State University Foundation, Inc. The Foundation is a non-profit corporation formed for the purpose of obtaining and disbursing funds for the sole benefit of the University. It is a discrete component unit of the University with financial information presented in a separate column in the University's financial statements. Separate audited financial statements are prepared in accordance with the Financial Accounting Standards Board (FASB). The Foundation's address is: New Mexico State University Foundation, Inc., P.O. Box 3590, Las Cruces, NM 88003.

Aggie Development, Inc. Aggie Development, Inc., was organized pursuant to the provisions of the State of New Mexico University Research Park Act of 1989. The corporation was established to benefit the University by (1) managing and developing designated University real estate and water rights; (2) contributing all of the corporation's net revenues to the University; and (3) enhancing learning opportunities for students. Since inception, Aggie Development Inc. did not meet the materiality threshold that requires audited financial statements and therefore its activity is included in the NMSU audited financial statements, but no separate details are presented herein. Aggie Development, Inc.'s address is: Aggie Development, Inc., P.O. Box 3145, Las Cruces, NM 88003.

Note 12 – Contingent Liabilities

The University has evaluated contingent liabilities from the balance sheet date through December 12, 2018, the date at which the financial statements were available to be issued, and determined there are no additional items to disclose.

Note 13 – Natural Classification Operating Expenses

The University's and Discrete Component Unit's operating expenses by natural classification were as follows:

	2018		2017	
	University	Component Unit	University	Component Unit
Operating Expenses				
Salaries				
Faculty	\$ 92,999,916	\$ -	\$ 94,901,192	\$ -
Exempt staff	100,670,412	2,081,291	102,915,959	2,298,654
Non-exempt staff	14,041,439	-	15,385,378	-
Student/graduate assistant	29,694,683	24,542	29,711,828	21,752
Other compensation	2,635,215	5,325	2,174,151	5,400
Total salaries	<u>240,041,665</u>	<u>2,111,158</u>	<u>245,088,508</u>	<u>2,325,806</u>
Other Operating Expenses				
Benefits	158,708,878	-	84,918,550	-
Travel	12,475,335	139,765	12,471,014	118,789
Scholarship and fellowships and other program support	33,913,139	10,657,340	38,024,453	8,931,420
Utilities	12,321,568	9,982	12,097,149	3,657
Professional fees	17,009,781	335,084	18,077,767	294,750
Supplies and other services	63,107,716	812,424	81,661,310	744,595
Depreciation	34,515,035	28,882	35,473,782	89,551
Total operating expenses	<u>\$572,093,117</u>	<u>\$ 14,094,635</u>	<u>\$527,812,533</u>	<u>\$ 12,508,568</u>

Note 14 – Unrestricted Net Position

Unrestricted net position supports the missions of the University in current and future years. The following is a breakdown of the University's unrestricted net position as of June 30, 2018 (unaudited):

	2018	2017
Unrestricted Net Position	\$ (536,546,367)	\$ (368,393,810)
Less: Unfunded Pension	(541,932,967)	(462,236,483)
Less: Long-Term Compensated Absences	(12,539,378)	(13,260,913)
Less: Other Post Employment Benefits	<u>(138,232,038)</u>	<u>(33,479,000)</u>
Adjusted Unrestricted Net Position	<u>156,158,016</u>	<u>140,582,586</u>
Designated for Operations - Instruction and General	\$ 31,617,485	\$ 29,611,531
Designated for Operations - Research	17,310,500	17,194,671
Designated for Operations - Public Service	8,403,675	8,330,629
Designated for Operations - Other	10,638,285	9,934,289
Quasi Endowments Funds	17,880,788	15,953,875
Renewals and Replacements - Buildings	25,873,630	21,987,851
Renewals and Replacements - Auxiliary Enterprises	8,606,557	6,243,351
Renewals and Replacements - Internal Services Units	6,442,548	5,959,937
Renewals and Replacements - Equipment	12,343,953	10,076,971
Unexpended plant - Designated to Projects	5,552,944	8,513,316
Unexpended plant - Future Projects/Contingency	<u>11,487,651</u>	<u>6,776,165</u>
Total	<u>\$ 156,158,016</u>	<u>\$ 140,582,586</u>

Note 15 – Tax Abatements

NMSU does not collect tax revenue nor does it enter into any individual tax abatement agreements. NMSU receives funding through appropriations from the State of New Mexico and the amounts of such appropriations to NMSU may be indirectly affected by Tax Abatement agreements entered into by the State of New Mexico. As a taxing authority, the State of New Mexico has the ability to collect tax revenue and enter into individual tax abatement agreements. The State of New Mexico is required under GASB 77 to provide detailed disclosure regarding its tax abatement agreements in its comprehensive annual financial report (CAFR). No University revenue was impacted by abatement agreements.

Note 16 – New Accounting Standards

GASB Statement No. 75 (*Accounting and Financial Reporting for Postemployment Benefits other than Pensions*) became effective for fiscal year 2018. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits, or OPEB). The Statement's impact for the University was an increase in the beginning OPEB liability by \$101 million.

GASB Statement No. 83 (*Certain Asset Retirement Obligations*) will become effective for fiscal year 2019. The objective of this Statement is to enhance comparability of financial statements among governments by establishing uniform criteria to recognize and measure certain Asset Retirement Obligations (AROs). This statement requires that recognition of a liability be recognized when the liability is both incurred and reasonably estimable. The liability is incurred based on external laws, regulations, contracts, or court judgments, together with an internal event that obligates a government to perform asset retirement activities. The University has not been legally required to perform asset retirement activities, and as such, this statement is not considered applicable at this time. Continued consideration will be performed in future periods.

GASB Statement No. 84 (*Fiduciary Activities*) will become effective for fiscal year 2020. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The University has not yet determined the impact of this statement.

GASB Statement No. 85 (*Omnibus 2017*) became effective for fiscal year 2018. This statement addresses various practice issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits). This statement will enhance consistency in the application of accounting and financial reporting requirements. This statement had no impact on the University.

GASB Statement No. 86 (*Certain Debt Extinguishment Issues*) became effective for fiscal year 2018. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing the debt. The University does not currently place current resources in trust for refunding, and as such, the statement does not have an impact.

GASB Statement No. 87 (*Leases*) will become effective for fiscal year 2021. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The University has not yet determined the impact of this statement.

GASB Statement No. 88 (*Debt Disclosures*) will become effective for fiscal year 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement defines debt as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires additional essential information related to debt be disclosed in notes to the financial statements, including amount of unused lines of credit; assets pledged as collateral for debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The University has not yet determined the impact of this statement.

GASB Statement No. 89 (*Construction Interest Costs*) will become effective for fiscal year 2021. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The University has not yet determined the impact of this statement.

GASB Statement No. 90 (*Majority Equity Interests*) will become effective fiscal year 2019. The primary

objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The University has implemented this statement for fiscal year ended June 30, 2018, resulting in the recognition of a \$1,000 investment.

Note 17 – Subsequent Events

The University has evaluated subsequent events from the balance sheet date through December 12, 2018, the date at which the financial statements were available to be issued, and determined there are no additional items to disclose.

Schedule 1 - Combining Statement of Net Position

	New Mexico State University 2018	Arrowhead Center, Inc. 2018	Total 2018
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 16,561,306	\$ 1,075,940	\$ 17,637,246
Restricted cash and cash equivalents	9,887,363	-	9,887,363
Cash and cash equivalents held in trust by component unit for NMSU	4,521,307	-	4,521,307
Cash and cash equivalents held in trust by others	3,048,643	-	3,048,643
Short-term investments	31,446,089	-	31,446,089
Accounts receivable, net	50,189,001	35,748	50,224,749
Due from component unit	2,132,358	-	2,132,358
Inventories	2,484,382	-	2,484,382
Prepaid expenses	3,709,435	1,543	3,710,978
Loans receivable - current portion, net	954,389	-	954,389
Total current assets	<u>124,934,273</u>	<u>1,113,231</u>	<u>126,047,504</u>
Non-current assets:			
Unrestricted cash and cash equivalents	41,773,187	-	41,773,187
Restricted cash and cash equivalents	6,223,907	-	6,223,907
Investments held by others	-	-	-
Investments held in trust by component unit for NMSU	42,816,242	-	42,816,242
Investments held in trust for others	-	-	-
Restricted long-term investments	14,665,449	-	14,665,449
Other long-term investments	77,887,144	33,427	77,920,571
Loans receivable, net	9,514,499	-	9,514,499
Prepaid expenses and other assets	-	-	-
Capital assets, net	494,319,652	-	494,319,652
Total non-current assets	<u>687,200,080</u>	<u>33,427</u>	<u>687,233,507</u>
TOTAL ASSETS	<u>812,134,353</u>	<u>1,146,658</u>	<u>813,281,011</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>246,879,669</u>	<u>-</u>	<u>246,879,669</u>
LIABILITIES			
Current liabilities:			
Accounts payable	13,339,254	50,673	13,389,927
Other accrued liabilities	14,787,597	26,242	14,813,839
Accrued interest payable	1,800,459	-	1,800,459
Unearned revenue	9,753,246	6,413	9,759,659
Held in trust by NMSU	5,319,195	-	5,319,195
Long-term liabilities - current portion	15,910,776	-	15,910,776
Total current liabilities	<u>60,910,527</u>	<u>83,328</u>	<u>60,993,855</u>
Non-current liabilities:			
Accrued benefit reserves	659,630	-	659,630
Other long-term liabilities	169,377,298	-	169,377,298
Net pension liability	750,673,749	-	750,673,749
Other post-employment benefit liability	128,375,207	-	128,375,207
Total non-current liabilities	<u>1,049,085,884</u>	<u>-</u>	<u>1,049,085,884</u>
TOTAL LIABILITIES	<u>1,109,996,411</u>	<u>83,328</u>	<u>1,110,079,739</u>
DEFERRED INFLOWS OF RESOURCES	<u>42,046,491</u>	<u>-</u>	<u>42,046,491</u>
NET POSITION			
Net investment in capital assets	386,309,799	-	386,309,799
Restricted for:			
Non-expendable:			
Endowments	28,109,389	-	28,109,389
Expendable:			
Endowments	1,964,539	-	1,964,539
General activities	6,296,810	-	6,296,810
Federal student loans	12,783,937	-	12,783,937
Capital projects	8,039,238	-	8,039,238
Related entity activities	13,775	1,063,330	1,077,105
Unrestricted	(536,546,367)	-	(536,546,367)
TOTAL NET POSITION	<u>\$ (93,028,880)</u>	<u>\$ 1,063,330</u>	<u>\$ (91,965,550)</u>

See accompanying independent auditor's report.

Schedule 1 - Combining Statement of Net Position

	New Mexico State University 2017	Arrowhead Center, Inc. 2017	Total 2017
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 8,843,562	\$ 823,143	\$ 9,666,705
Restricted cash and cash equivalents	10,144,470	-	10,144,470
Cash and cash equivalents held in trust by component unit for NMSU	6,339,259	-	6,339,259
Cash and cash equivalents held in trust by others	6,619,165	-	6,619,165
Short-term investments	10,036,594	-	10,036,594
Accounts receivable, net	52,762,554	43,549	52,806,103
Due from component unit	1,500,977	-	1,500,977
Inventories	2,289,331	-	2,289,331
Prepaid expenses	3,232,255	3,048	3,235,303
Student loans receivable - current portion, net	1,103,696	-	1,103,696
Total current assets	<u>102,871,863</u>	<u>869,740</u>	<u>103,741,603</u>
Non-current assets:			
Unrestricted cash and cash equivalents	38,274,357	-	38,274,357
Restricted cash and cash equivalents	6,319,877	-	6,319,877
Investments held by others	-	-	-
Investments held in trust by component unit for NMSU	39,071,502	-	39,071,502
Other long-term investments	70,146,976	32,427	70,179,403
Student loans receivable, net	9,933,269	-	9,933,269
Prepaid expenses and other assets	-	-	-
Capital assets, net	502,900,397	-	502,900,397
Total non-current assets	<u>666,646,378</u>	<u>32,427</u>	<u>666,678,805</u>
TOTAL ASSETS	<u>769,518,241</u>	<u>902,167</u>	<u>770,420,408</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>70,110,135</u>	<u>-</u>	<u>70,110,135</u>
LIABILITIES			
Current liabilities:			
Accounts payable	10,397,459	11,847	10,409,306
Due to NMSU	(48,765)	48,765	-
Other accrued liabilities	17,696,040	-	17,696,040
Accrued interest payable	1,715,659	-	1,715,659
Unearned revenue	8,422,925	43,847	8,466,772
Held in trust by NMSU	6,052,135	-	6,052,135
Long-term liabilities - current portion	19,251,356	-	19,251,356
Total current liabilities	<u>63,486,809</u>	<u>104,459</u>	<u>63,591,268</u>
Non-current liabilities:			
Accrued benefit reserves	659,630	-	659,630
Other long-term liabilities	123,417,156	-	123,417,156
Net pension liability	507,687,518	-	507,687,518
Other post-employment benefit liability	27,955,000	-	27,955,000
Total non-current liabilities	<u>659,719,304</u>	<u>-</u>	<u>659,719,304</u>
TOTAL LIABILITIES	<u>723,206,113</u>	<u>104,459</u>	<u>723,310,572</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>24,850,193</u>	<u>-</u>	<u>24,850,193</u>
NET POSITION			
Net investment in capital assets	396,576,507	-	396,576,507
Restricted for:			
Non-expendable:			
Endowments	28,142,453	-	28,142,453
Expendable:			
Endowments	1,906,228	-	1,906,228
General activities	6,762,073	-	6,762,073
Federal student loans	14,302,898	-	14,302,898
Capital projects	12,277,620	-	12,277,620
Related entity activities	(1,899)	797,708	795,809
Unrestricted	(368,393,810)	-	(368,393,810)
TOTAL NET POSITION	<u>\$ 91,572,070</u>	<u>\$ 797,708</u>	<u>\$ 92,369,778</u>

See accompanying independent auditor's report.

Schedule 2 - Combining Statement of Revenues, Expenses, and Changes in Net Position

	New Mexico State University 2018	Arrowhead Center, Inc 2018	Total Primary Institution 2018
REVENUES			
Operating revenues:			
Student tuition and fees (gross)	\$ 108,816,066	\$ -	\$ 108,816,066
Less: scholarship allowances	(42,295,668)	-	(42,295,668)
Student tuition and fees (net)	66,520,398	-	66,520,398
Federal appropriations, grants and contracts	82,542,027	-	82,542,027
State grants and contracts	11,387,324	-	11,387,324
Local Appropriations, grants and contracts	2,712,130	-	2,712,130
Non-governmental grants, contracts and gifts	9,023,251	-	9,023,251
Sales and services	6,106,044	-	6,106,044
Auxiliary enterprises (net of scholarship allowances)	14,733,291	-	14,733,291
Other operating revenues	14,872,592	-	14,872,592
Total operating revenues	207,897,057	-	207,897,057
EXPENSES			
Operating expenses:			
Instruction	164,630,659	-	164,630,659
Research	92,298,663	-	92,298,663
Public service	59,650,388	-	59,650,388
Academic support	30,182,089	-	30,182,089
Student services	19,623,830	-	19,623,830
Institutional support	37,007,447	-	37,007,447
Operation and maintenance of plant	38,522,138	-	38,522,138
Scholarships and fellowships	27,490,837	-	27,490,837
Auxiliary enterprises	23,052,121	-	23,052,121
Independent operations	19,447,085	-	19,447,085
Intercollegiate athletics	20,450,904	-	20,450,904
Student social and cultural	4,007,265	-	4,007,265
Loan administration (net)	1,214,656	-	1,214,656
Depreciation	34,515,035	-	34,515,035
Total operating expenses	572,093,117	-	572,093,117
Net operating income (loss)	(364,196,060)	-	(364,196,060)
Non-operating revenues (expenses):			
State appropriations	190,893,756	-	190,893,756
Federal Pell grants	41,162,544	-	41,162,544
State lottery scholarship	9,983,665	-	9,983,665
Local tax levy revenue	14,440,619	-	14,440,619
Gifts and non-exchange grants	9,292,924	-	9,292,924
Investment income (loss)	1,825,340	-	1,825,340
Building fees	4,815,669	-	4,815,669
Land lease and permanent fund	4,321,577	-	4,321,577
Loss on disposal of plant	(1,698,579)	-	(1,698,579)
Additions to quasi endowments	78,786	-	78,786
Interest and other expenses on capital asset-related debt	(6,457,869)	-	(6,457,869)
Other non-operating revenues (expenses)	(917,291)	265,622	(651,669)
Net non-operating revenues	267,741,141	265,622	268,006,763
Income (loss) before other revenues	(96,454,919)	265,622	(96,189,297)
Capital appropriations	7,633,119	-	7,633,119
Capital grants, gifts, and other income	2,694,375	-	2,694,375
Additions to permanent endowments	2,600,444	-	2,600,444
Increase (decrease) in net position	(83,526,981)	265,622	(83,261,359)
NET POSITION			
Beginning of year, as previously reported	91,572,070	797,708	92,369,778
Change in accounting principle (Note 2)	(101,073,969)	-	(101,073,969)
Beginning of year, as restated	(9,501,899)	797,708	(8,704,191)
End of year	\$ (93,028,880)	\$ 1,063,330	\$ (91,965,550)

See accompanying independent auditor's report.

Schedule 2 - Combining Statement of Revenues, Expenses, and Changes in Net Position

	New Mexico State University 2017	Arrowhead Center, Inc 2017	Total Primary Institution 2017
REVENUES			
Operating revenues:			
Student tuition and fees (gross)	\$ 107,477,271	\$ -	\$ 107,477,271
Less: scholarship allowances	(40,352,088)	-	(40,352,088)
Student tuition and fees (net)	67,125,183	-	67,125,183
Federal appropriations, grants and contracts	89,478,461	-	89,478,461
State grants and contracts	16,508,697	-	16,508,697
Local Appropriations, grants and contracts	2,898,663	-	2,898,663
Non-governmental grants, contracts and gifts	9,060,235	-	9,060,235
Sales and services	5,429,962	-	5,429,962
Auxiliary enterprises (net of scholarship allowances)	14,637,709	-	14,637,709
Other operating revenues	16,566,675	-	16,566,675
Total operating revenues	<u>221,705,585</u>	<u>-</u>	<u>221,705,585</u>
EXPENSES			
Operating expenses:			
Instruction	147,433,569	-	147,433,569
Research	86,441,908	-	86,441,908
Public service	53,831,021	-	53,831,021
Academic support	27,494,971	-	27,494,971
Student services	15,372,147	-	15,372,147
Institutional support	31,711,240	-	31,711,240
Operation and maintenance of plant	36,537,879	-	36,537,879
Scholarships and fellowships	29,942,054	-	29,942,054
Auxiliary enterprises	21,195,218	-	21,195,218
Independent operations	17,699,739	-	17,699,739
Intercollegiate athletics	17,947,564	-	17,947,564
Student social and cultural	3,863,536	-	3,863,536
Loan administration (net)	2,867,905	-	2,867,905
Depreciation	35,473,782	-	35,473,782
Total operating expenses	<u>527,812,533</u>	<u>-</u>	<u>527,812,533</u>
Net operating income (loss)	<u>(306,106,948)</u>	<u>-</u>	<u>(306,106,948)</u>
Non-operating revenues (expenses):			
State appropriations	193,515,000	-	193,515,000
Federal Pell grants	39,587,298	-	39,587,298
State lottery scholarship	15,641,172	-	15,641,172
Local tax levy revenue	12,941,281	-	12,941,281
Gifts and non-exchange grants	9,066,256	-	9,066,256
Investment income (loss)	3,009,469	-	3,009,469
Building fees	4,126,169	-	4,126,169
Land lease and permanent fund	3,110,115	-	3,110,115
Loss on disposal of plant	(405,298)	-	(405,298)
Gain on sale of land	2,455,510	-	2,455,510
Additions to quasi endowments	151,320	-	151,320
Interest and other expenses on capital asset-related debt	(4,948,886)	-	(4,948,886)
Other non-operating revenues (expenses)	376,475	117,506	493,981
Net non-operating revenues	<u>278,625,881</u>	<u>117,506</u>	<u>278,743,387</u>
Income (loss) before other revenues	(27,481,067)	117,506	(27,363,561)
Capital appropriations	18,620,802	-	18,620,802
Capital grants, gifts, and other income	2,550,164	-	2,550,164
Additions to permanent endowments	2,196,737	-	2,196,737
Increase (decrease) in net position	<u>(4,113,364)</u>	<u>117,506</u>	<u>(3,995,858)</u>
NET POSITION			
Beginning of year, as previously reported	158,145,777	680,202	158,825,979
Change in accounting principle (Note 2)	(62,460,343)	-	(62,460,343)
Beginning of year, as restated	<u>95,685,434</u>	<u>680,202</u>	<u>96,365,636</u>
End of year	<u>\$ 91,572,070</u>	<u>\$ 797,708</u>	<u>\$ 92,369,778</u>

See accompanying independent auditor's report.

Schedule 3A - Budgetary Comparison Schedules - Unrestricted and Restricted - All Operations

	Original Budget	Revised Budget	Actuals	Revised Budget vs Actuals - Variance Favorable (Unfavorable)
Unrestricted and restricted beginning fund balance	\$ 130,177,291	\$ 152,919,694	\$ 151,269,719	\$ (1,649,975)
Unrestricted and restricted revenues:				
State government appropriations	191,133,500	190,860,775	190,893,756	32,981
Federal revenue sources	133,211,834	133,196,775	123,824,259	(9,372,516)
Tuition and fees income	110,630,390	107,718,388	108,633,314	914,926
Land and permanent fund	2,925,900	3,500,000	4,321,577	821,577
Endowment and private gifts	12,561,846	15,661,347	11,628,557	(4,032,790)
Other sources	133,599,212	148,722,273	128,359,768	(20,362,505)
Total unrestricted and restricted revenues	<u>584,062,682</u>	<u>599,659,558</u>	<u>567,661,231</u>	<u>(31,998,327)</u>
Unrestricted and restricted expenditures:				
Instruction	147,768,579	149,697,059	135,773,120	13,923,939
Academic support	28,491,169	29,560,368	28,173,577	1,386,791
Student services	16,767,406	17,163,815	16,303,451	860,364
Institutional support	30,987,998	30,784,605	30,010,646	773,959
Operation and maintenance	25,958,941	22,431,127	23,335,473	(904,346)
Subtotal instruction and general	<u>249,974,093</u>	<u>249,636,974</u>	<u>233,596,267</u>	<u>16,040,707</u>
Student social and cultural activities	4,249,067	4,304,093	3,662,065	642,028
Research	99,273,837	94,868,710	91,331,502	3,537,208
Public service	53,234,630	58,125,633	53,353,847	4,771,786
Internal services	723,570	3,352,235	(523,792)	3,876,027
Student aid, grants and stipends	79,929,623	81,586,821	75,128,324	6,458,497
Auxiliary services	19,909,510	22,520,027	20,392,892	2,127,135
Intercollegiate athletics	17,493,763	21,863,112	18,881,807	2,981,305
Independent operations	16,578,603	20,010,709	16,940,368	3,070,341
Capital outlay	23,318,639	31,590,203	23,347,972	8,242,231
Renewal and replacement	13,379,234	11,954,033	9,091,104	2,862,929
Retirement of indebtedness	13,860,028	16,655,837	17,617,980	(962,143)
Total unrestricted and restricted expenditures	<u>591,924,597</u>	<u>616,468,387</u>	<u>562,820,336</u>	<u>53,648,051</u>
Net transfers to (from)	<u>-</u>	<u>366,181</u>	<u>67,749</u>	<u>298,432</u>
Change in fund balance	<u>(7,861,915)</u>	<u>(17,175,010)</u>	<u>4,773,146</u>	<u>21,948,156</u>
Ending fund balance	<u>\$ 122,315,376</u>	<u>\$ 135,744,684</u>	<u>\$ 156,042,865</u>	<u>\$ 20,298,181</u>

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

See accompanying independent auditor's report.

Schedule 3B - Budgetary Comparison Schedules - Unrestricted - Instruction and General

	Original Budget	Revised Budget	Actuals	Revised Budget vs Actuals - Variance Favorable (Unfavorable)
Unrestricted beginning fund balance	\$ 18,518,022	\$ 29,492,613	\$ 29,492,613	\$ -
Unrestricted revenues:				
Tuition and fees income	91,055,914	87,642,395	87,346,058	(296,337)
Miscellaneous fees	7,846,365	7,870,513	9,211,400	1,340,887
Federal government appropriations	-	-	-	-
State government appropriations	146,986,000	147,027,457	147,070,207	42,750
Local government appropriations	11,515,000	13,613,946	14,434,639	820,693
Federal government grants and contracts	132,700	132,700	174,479	41,779
State government grants and contracts	-	-	-	-
Local government grants and contracts	-	-	-	-
Private gifts, grants and contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	2,925,900	3,500,000	4,321,577	821,577
Private gifts	10,000	10,000	-	(10,000)
Sales and services	624,270	740,780	726,080	(14,700)
Other sources	14,297,808	14,616,302	14,535,550	(80,752)
Total unrestricted revenues	<u>275,393,957</u>	<u>275,154,093</u>	<u>277,819,990</u>	<u>2,665,897</u>
Unrestricted expenditures:				
Instruction	135,821,814	137,260,665	128,150,922	9,109,743
Academic support	25,647,580	26,725,198	25,614,900	1,110,298
Student services	15,931,077	16,405,639	15,930,694	474,945
Institutional support	30,716,998	30,347,505	29,656,481	691,024
Operation and maintenance	25,938,741	22,395,727	23,309,083	(913,356)
Total unrestricted expenditures	<u>234,056,210</u>	<u>233,134,734</u>	<u>222,662,080</u>	<u>10,472,654</u>
Net transfers to (from)	<u>39,852,743</u>	<u>52,106,052</u>	<u>51,940,167</u>	<u>165,885</u>
Change in fund balance	<u>1,485,004</u>	<u>(10,086,693)</u>	<u>3,217,743</u>	<u>13,304,436</u>
Ending fund balance	<u>\$ 20,003,026</u>	<u>\$ 19,405,920</u>	<u>\$ 32,710,356</u>	<u>\$ 13,304,436</u>

See accompanying independent auditor's report.

Schedule 3C- Budgetary Comparison Schedules - Restricted - Instruction and General

	Original Budget	Revised Budget	Actuals	Revised Budget vs Actuals - Variance Favorable (Unfavorable)
Restricted beginning fund balance	\$ -	\$ -	\$ -	\$ -
Restricted revenues:				
Tuition and fees income	-	-	-	-
Miscellaneous fees	-	-	-	-
Federal government appropriations	-	-	-	-
State government appropriations	-	-	-	-
Local government appropriations	-	-	-	-
Federal government grants and contracts	8,109,455	7,915,231	5,210,070	(2,705,161)
State government grants and contracts	2,085,068	2,121,858	1,678,702	(443,156)
Local government grants and contracts	-	-	-	-
Private gifts, grants and contracts	724,512	818,414	512,103	(306,311)
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	4,998,848	5,646,737	3,533,312	(2,113,425)
Sales and services	-	-	-	-
Other sources	-	-	-	-
Total restricted revenues	<u>15,917,883</u>	<u>16,502,240</u>	<u>10,934,187</u>	<u>(5,568,053)</u>
Restricted expenditures:				
Instruction	11,946,765	12,436,394	7,622,198	4,814,196
Academic support	2,843,589	2,835,170	2,558,677	276,493
Student services	836,329	758,176	372,757	385,419
Institutional support	271,000	437,100	354,165	82,935
Operation and maintenance	20,200	35,400	26,390	9,010
Total restricted expenditures	<u>15,917,883</u>	<u>16,502,240</u>	<u>10,934,187</u>	<u>5,568,053</u>
Net transfers to (from)	-	-	-	-
Change in fund balance	-	-	-	-
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

Schedule 3 - Budgetary Comparison Schedules - Combined Campuses

Reconciliation of Budget
 Unrestricted and Restricted - All Operations
 For the Year Ended June 30, 2018

Total Unrestricted and Restricted Revenues:		\$ 567,661,231
Reconciling Items:		
Scholarship allowance	\$ (48,311,230)	
Elimination of Internal Revenues	(14,577,476)	
Endowment fund revenues	(1,923,913)	
Blended Component Unit Revenues (AHC, ADI)	941,686	
Loan Fund Additions	(180,272)	
Financial statement adjustments	502,772	
Unexpended Plant Revenue reclassification	<u>(6,411,021)</u>	
Total reconciling items		<u>(69,959,454)</u>
Total reconciled unrestricted and restricted revenues		<u><u>\$ 497,701,777</u></u>
Basic Financial Statements		
Operating revenues		\$ 207,897,057
Non-operating revenues		276,814,870
Non-operating revenues netted in other non-operating revenues and expenses		61,912
Other Revenues		<u>12,927,938</u>
Total revenues per Financial Statements		<u><u>\$ 497,701,777</u></u>
Difference		<u><u>\$ -</u></u>
Total Unrestricted and Restricted Expenses:		\$ 562,820,336
Reconciling Items:		
Scholarship allowance	\$ (48,311,230)	
Elimination of Internal Sales	(14,577,476)	
Blended Component Unit expenditures (AHC, ADI)	824,180	
Depreciation expense	34,515,035	
Loan fund expenditures	1,214,656	
Capitalized expenditures	(28,557,869)	
Bond principal payments	(14,215,010)	
Pension Expense	79,696,483	
Accounts Payable accrual, net	(584,915)	
Financial statement reporting adjustments	(12,132)	
Increase in unamortized bond premium	6,452,509	
Loss on disposal of plant	<u>1,698,579</u>	
Total reconciling items		<u>18,142,810</u>
Total reconciled unrestricted and restricted expenses		<u><u>\$ 580,963,146</u></u>
Basic Financial Statements		
Operating expenditures		\$ 572,093,117
Non-operating expenditures		6,457,869
Loss on disposal of plant		1,698,579
Non-operating expenditures netted in other non-operating revenues and expenses		<u>713,581</u>
Total Expenditures per Financial Statements		<u><u>\$ 580,963,146</u></u>
Difference		<u><u>\$ -</u></u>

See accompanying independent auditor's report.

Schedule 4 - Bank Balances, Pledged Collateral Requirements and Pledged Collateral by Financial Institution

Page 1

Account	Type of Security	CUSIP No./ Security #	Maturity Date	Fair Value of Collateral	Deposit Amount
CITIZEN'S BANK OF LAS CRUCES					
<i>Certificate of Deposit</i>					
<i>Endowment</i>	None				\$ 31,116
FIRST NATIONAL BANK OF ALAMOGORDO					
<i>Cash</i>	Mortgage-Backed	31418BBB1	3/1/2024	\$ 323,902	\$ 471,294
WELLS FARGO BANK OF NEW MEXICO					
<i>Cash</i>	FMAC FGPC	3128MJ3A6	12/1/2047	\$ 17,364,560	
<i>Cash</i>	FNMA FNMS	3138WSFU1	10/1/2035	\$ 5,126,318	
					\$ 25,121,726
WESTERN COMMERCE BANK, CARLSBAD					
<i>Cash</i>					\$ 21,973
WELLS FARGO SECURITIES, LLC (CERTIFICATES OF DEPOSIT)					
<i>Ally Bank Midvale Utah</i>	None				\$ 250,000
<i>Ally Bank Interest Bearing</i>	None				250,000
<i>BMW Bank of North America</i>	None				250,000
<i>Barclays Bank Interest Bearing CD</i>	None				250,000
<i>Bank United NA Interest Bearing CD</i>	None				250,000
<i>Capital One NA Interest Bearing CD</i>	None				250,000
<i>Comenity Cap Bank Interest Bearing CD</i>	None				250,000
<i>Discover Bank Interest Bearing CD</i>	None				250,000
<i>First Savings Bank Interest Bearing CD</i>	None				250,000
<i>Goldman Sachs Bank Interest Bearing CD</i>	None				250,000
<i>Morgan Stanley Bank NA</i>	None				250,000
<i>Wells Fargo Sioux Falls</i>	None				250,000
					\$ 3,000,000
FTN FINANCIAL CAPITAL MARKETS (CERTIFICATES OF DEPOSIT)					
<i>American Express National Bank</i>	None				\$ 250,000
<i>Bar Harbor Bank & Trust</i>	None				250,000
<i>Citibank NA</i>	None				250,000
<i>Comenity Capital Bank</i>	None				250,000
<i>Sallie Mae Bank/Salt Lake</i>	None				250,000
<i>Synchrony Bank</i>	None				250,000
					\$ 1,500,000

Note: The Foundation is not subject to the State of New Mexico pledged collateral requirement.

See accompanying independent auditor's report.

Schedule 4 - Bank Balances, Pledged Collateral Requirements and Pledged Collateral by Financial Institution

Page 2

Account	FDIC/SPIC Insurance	Uninsured Public Funds	By the pledging Federal Institution	Excess Amounts over 50% Collateral Requirement
CITIZEN'S BANK OF LAS CRUCES				
<i>Certificate of Deposit</i>				
<i>Endowment</i>	\$ 31,113	\$ -	\$ -	\$ -
FIRST NATIONAL BANK OF ALAMOGORDO				
<i>Cash</i>	\$ 250,000	\$ 221,294	\$ 323,902	\$ 213,255
WELLS FARGO BANK OF NEW MEXICO				
<i>Cash</i>	\$ 250,000	\$ 24,871,726	\$ 22,490,878	\$ 10,055,015
WESTERN COMMERCE BANK, CARLSBAD				
<i>Cash</i>	\$ 21,973	\$ -	\$ -	\$ -
WELLS FARGO SECURITIES, LLC (CERTIFICATES OF DEPOSIT)				
<i>Ally Bank Midvale Utah</i>	\$ 250,000	\$ -	\$ -	\$ -
<i>Ally Bank Interest Bearing</i>	250,000	-	-	-
<i>BMW Bank of North America</i>	250,000	-	-	-
<i>Barclays Bank Interest Bearing CD</i>	250,000	-	-	-
<i>Bank United NA Interest Bearing CD</i>	250,000	-	-	-
<i>Capital One NA Interest Bearing CD</i>	250,000	-	-	-
<i>Comenity Cap Bank Interest Bearing CD</i>	250,000	-	-	-
<i>Discover Bank Interest Bearing CD</i>	250,000	-	-	-
<i>First Savings Bank Interest Bearing CD</i>	250,000	-	-	-
<i>Goldman Sachs Bank Interest Bearing CD</i>	250,000	-	-	-
<i>Morgan Stanley Bank NA</i>	250,000	-	-	-
<i>Wells Fargo Sioux Falls</i>	250,000	-	-	-
	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTM FINANCIAL CAPITAL MARKETS (CERTIFICATES OF DEPOSIT)				
<i>American Express National Bank</i>	\$ 250,000	\$ -	\$ -	\$ -
<i>Bar Harbor Bank and Trust</i>	250,000	-	-	-
<i>Citibank NA</i>	250,000	-	-	-
<i>Comenity Capital Bank</i>	250,000	-	-	-
<i>Sallie Mae Bank Salt Lake</i>	250,000	-	-	-
<i>Synchrony Bank</i>	250,000	-	-	-
	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

Schedule 5 - Schedule of Changes in Net OPEB liability and Related Ratios in accordance with GASB Statement 75. (unaudited)

	2018
Total OPEB liability	
Service Cost	\$ 4,936,250
Interest	5,291,343
Current Recognized deferred outflows/(inflows):	
Changes of assumptions or other inputs	(5,357,825)
Benefit payments	<u>(5,523,530)</u>
Net change in total OPEB liability	\$ (653,762)
Total OPEB liability-beginning	<u>\$ 134,552,969</u>
Total OPEB liability-ending	<u>\$ 133,899,207</u>
Covered-employee payroll	\$ 150,205,439
Total OPEB liability as a percentage of covered-employee payroll	89 %

	2018
Current retirees receiving benefits	1,716
Inactive employees entitled but not yet receiving benefits	-
Current active members	2,594

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the University is showing one year's presentation. No assets are accumulated in a trust to pay the related benefits.

See accompanying independent auditor's report.

**Schedule 6 - Schedule of Proportionate Share of Net Pension Liability and Employer Contributions
(unaudited)**

The schedule of proportionate share of net pension liability and the schedule of employer contributions present multiyear trend information for the last ten fiscal years. Fiscal year 2015 was the first year of implementation, therefore only four years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

Schedule of Proportionate Share of Net Pension Liability - ERB Plan

	2018	2017	2016	2015
University's proportion of the net pension liability	6.75462%	7.05471%	7.31378%	7.56103%
University's proportion share of the net pension liability	\$ 750,673,749	\$ 507,687,518	\$ 473,733,007	\$ 431,412,011
University's covered-employee payroll	\$ 194,360,458	\$ 201,383,448	\$ 199,689,623	\$ 229,696,230
University's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	386.23 %	252.10 %	237.23 %	187.82 %
Plan fiduciary net position as a percentage of the total pension liability	52.95%	61.58%	63.97%	66.54%

Schedule of Employer Contributions - ERB Plan

	2018	2017	2016	2015
Statutorily required employer contribution	\$ 25,880,341	\$ 26,736,537	\$ 28,006,297	\$ 31,140,209
Contribution in relation to the statutorily required contribution	<u>25,880,341</u>	<u>26,736,537</u>	<u>28,006,297</u>	<u>31,140,209</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	193,115,948	194,360,458	201,383,448	199,689,623
Contributions as percentage of covered-employee payroll	13.40 %	13.76 %	13.91 %	15.59 %

Notes to Schedules:

Changes of Benefit Terms and Assumptions

There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017. Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

See accompanying independent auditor's report.

Schedule 7 - Schedule of Expenditures of Federal Awards

Name of Program / Agency	Award Title	CFDA Number	Grant Code	Subrecipient Expenditures	Total Expenditures
RESEARCH AND DEVELOPMENT CLUSTER					
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	AGRICULTURAL RESEARCH_BASIC & APPLIED	10.001		\$ -	\$ 1,575,108
			CFDA 10.001 Total	\$ -	\$ 1,575,108
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	PLANT & ANIMAL DISEASE, PEST CONTROL, & ANIMAL CARE	10.025		\$ -	\$ 257,898
			CFDA 10.025 Total	\$ -	\$ 257,898
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	SPECIALTY CROP BLOCK GRANT	10.170		\$ 97,556	\$ 383,124
			CFDA 10.170 Total	\$ 97,556	\$ 383,124
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	GRANTS FOR AGRICULTURAL RESEARCH	10.200		\$ -	\$ 781,593
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU Kansas State University Regents University of California Davis Regents University of California Davis	GRANTS FOR AGRICULTURAL RESEARCH GRANTS FOR AGRICULTURAL RESEARCH GRANTS FOR AGRICULTURAL RESEARCH	10.200 10.200 10.200	2015-38624-24333 2015-34383-23709 2017-34383-27027	\$ - \$ - \$ -	\$ 30,223 \$ (591) \$ 76,437
			CFDA 10.200 Total	\$ -	\$ 887,662
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	HATCH FEDERAL APPROPRIATIONS	10.203		\$ -	\$ 1,521,390
			CFDA 10.203 Total	\$ -	\$ 1,521,390
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	ANIMAL HEALTH FEDERAL APPROPRIATION	10.207		\$ -	\$ 46,763
			CFDA 10.207 Total	\$ -	\$ 46,763
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	SUSTAINABLE USE OF BIOMASS RESOURCE	10.210		\$ -	\$ 85,590
			CFDA 10.210 Total	\$ -	\$ 85,590
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU Utah State University Utah State University Utah State University	SUSTAINABLE AGRICULTURE RESEARCH & EDUCATION SUSTAINABLE AGRICULTURE RESEARCH & EDUCATION SUSTAINABLE AGRICULTURE RESEARCH & EDUCATION	10.215 10.215 10.215	2014-38640-22175 2016-38640-25383 2017-38640-26913	\$ 36,718 \$ - \$ -	\$ 104,693 \$ 22,811 \$ 3,303
			CFDA 10.215 Total	\$ 36,718	\$ 130,807
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	HISPANIC SERVING INSTITUTION GRANTS	10.223		\$ 82,245	\$ 575,555
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU Texas A&M University- Kingsville Texas A&M University- Kingsville Texas A&M University The Florida International University Board of Trustees University of Texas University of Texas University of Texas	HISPANIC SERVING INSTITUTION GRANTS HISPANIC SERVING INSTITUTION GRANTS HISPANIC SERVING INSTITUTION GRANTS HISPANIC SERVING INSTITUTION GRANTS HISPANIC SERVING INSTITUTION GRANTS HISPANIC SERVING INSTITUTION GRANTS HISPANIC SERVING INSTITUTION GRANTS	10.223 10.223 10.223 10.223 10.223 10.223 10.223	2013-38422-20957 2017-38422-27298 2014-38422-22084 2015-38422-24075 2014-38422-22078 2015-35422-24112 2015-38422-24059 (03)	\$ - \$ - \$ - \$ - \$ - \$ - \$ -	\$ 30,590 \$ 37,706 \$ 26,671 \$ 58,223 \$ 99,143 \$ 136,427 \$ 141,398
			CFDA 10.223 Total	\$ 82,245	\$ 1,105,713
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU Dine College	TRADITION NAVAJO FOOD & FIBER CROP	10.227	2015-38424-24052	\$ -	\$ 2,432
			CFDA 10.227 Total	\$ -	\$ 2,432
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU Regents of the University of Minnesota	INTERNATIONAL BENCHMARKING OF U.S.	10.290	58-0111-17-016	\$ -	\$ 8,516
			CFDA 10.290 Total	\$ -	\$ 8,516
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	BREEDING NON-COMMODITY CORN FOR ORG	10.307		\$ -	\$ 74,082
			CFDA 10.307 Total	\$ -	\$ 74,082
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	SPECIALTY CROP RESEARCH INITIATIVE	10.309		\$ 436,183	\$ 579,138
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU University of Florida	SPECIALTY CROP RESEARCH INITIATIVE	10.309	2015-70016-23010	\$ -	\$ 25,757
			CFDA 10.309 Total	\$ 436,183	\$ 604,895
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	AGRICULTURE & FOOD RESEARCH INITIATIVE	10.310		\$ 6,639	\$ 150,970
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU Colorado State University Colorado State University North Carolina State University Texas A&M University Texas A&M University Texas A&M University The Board of Trustees of the University of Illinois University of Arizona University of Connecticut University of Maryland University of Tennessee University of Texas	AGRICULTURE & FOOD RESEARCH INITIATIVE AGRICULTURE & FOOD RESEARCH INITIATIVE AGRICULTURE & FOOD RESEARCH INITIATIVE AGRICULTURE & FOOD RESEARCH INITIATIVE AGRICULTURE & FOOD RESEARCH INITIATIVE AGRICULTURE & FOOD RESEARCH INITIATIVE AGRICULTURE & FOOD RESEARCH INITIATIVE AGRICULTURE & FOOD RESEARCH INITIATIVE AGRICULTURE & FOOD RESEARCH INITIATIVE AGRICULTURE & FOOD RESEARCH INITIATIVE AGRICULTURE & FOOD RESEARCH INITIATIVE AGRICULTURE & FOOD RESEARCH INITIATIVE AGRICULTURE & FOOD RESEARCH INITIATIVE	10.310 10.310 10.310 10.310 10.310 10.310 10.310 10.310 10.310 10.310 10.310 10.310 10.310	2015-68001-23240 2016-68007-25066 2011-68003-30395 2015-68001-23234 2016-68003-24607 2017-68007-26318 2016-67019-25212 2017-68005-26867 2012-68001-19956 201668007-25064 2014-67001-2185 2015-68007-23130	\$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -	\$ 264,400 \$ 63,875 \$ 3,000 \$ 89,259 \$ 16,368 \$ 201,796 \$ 37,315 \$ 206,657 \$ 18,559 \$ 153,663 \$ 222 \$ 137,325
			CFDA 10.310 Total	\$ 6,639	\$ 1,343,409
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU State of Oklahoma Texas A&M University	SUN GRANT PROGRAM SUN GRANT PROGRAM	10.320 10.320	2014-38502-22598 2014-38502-22598	\$ - \$ -	\$ 45,472 \$ 16,758
			CFDA 10.320 Total	\$ -	\$ 62,230
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU Regents University of California Davis	ALFALFA & FORAGE RESEARCH PGROOM	10.330	2014-70005-22537	\$ -	\$ 14,050
			CFDA 10.330 Total	\$ -	\$ 14,050
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	FOREST HEALTH PROTECTION	10.680		\$ -	\$ 4,578
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU Energy And Minerals Department	FOREST HEALTH PROTECTION	10.680	N/A	\$ -	\$ 10,544
			CFDA 10.680 Total	\$ -	\$ 15,122
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	METHODS DEVELOPMENT TIMBER TRACKING	10.684		\$ -	\$ 16,226
			CFDA 10.684 Total	\$ -	\$ 16,226
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	BORLAUG AGRICULTURE SCIENCE & TECH FELLOWSHIP	10.777		\$ -	\$ 38,914
			CFDA 10.777 Total	\$ -	\$ 38,914
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	SOIL & WATER CONSERVATION	10.902		\$ -	\$ 138,336
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU Pheasants Forever Inc. and Quail Forever	SOIL & WATER CONSERVATION	10.902	68-3A75-14-120	\$ -	\$ 38,812
			CFDA 10.902 Total	\$ -	\$ 177,148

See accompanying independent auditor's report.

Schedule 7 - Schedule of Expenditures of Federal Awards

Name of Program / Agency	Award Title	CFDA Number	Grant Code	Subrecipient Expenditures	Total Expenditures
RESEARCH AND DEVELOPMENT CLUSTER					
	PLANT MATERIALS FOR CONSERVATION	10.905		\$ -	\$ 41,162
			CFDA 10.905 Total	\$ -	\$ 41,162
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	STRATEGIES TO IMPROVE SOIL & WATER	10.912		\$ -	\$ 519,132
			CFDA 10.912 Total	\$ -	\$ 519,132
DEPARTMENT OF COMMERCE (DOC) - PASS THRU	CLIMAS AIR QUALITY & CLIMATE ASSE	11.431	NA12OAR4310124	\$ -	\$ 22,026
University of Arizona	CLIMAS AIR QUALITY & CLIMATE ASSE	11.431	NA17OAR4310288	\$ -	\$ 17,301
University of Arizona			CFDA 11.431 Total	\$ -	\$ 39,327
DEPARTMENT OF DEFENSE (DOD) - DIRECT	BASIC & APPLIED SCIENTIFIC RESEARCH	12.300		\$ 58,383	\$ 180,111
			CFDA 12.300 Total	\$ 58,383	\$ 180,111
DEPARTMENT OF DEFENSE (DOD) - DIRECT	BASIC SCIENTIFIC RESEARCH	12.431		\$ 409,593	\$ 2,936,718
DEPARTMENT OF DEFENSE (DOD) - PASS THRU	BASIC SCIENTIFIC RESEARCH	12.431	W911NF-07-2-0027	\$ -	\$ 84,718
Stanford University			CFDA 12.431 Total	\$ 409,593	\$ 3,021,436
DEPARTMENT OF DEFENSE (DOD) - DIRECT	BASIC, APPLIED, & ADVANCED RESEARCH IN SCIENCE & ENG	12.630		\$ -	\$ 259,372
			CFDA 12.630 Total	\$ -	\$ 259,372
DEPARTMENT OF DEFENSE (DOD) - DIRECT	AIR FORCE DEFENSE RESEARCH SCIENCES PROGRAM	12.800		\$ -	\$ 204,443
DEPARTMENT OF DEFENSE (DOD) - PASS THRU	AIR FORCE DEFENSE RESEARCH SCIENCES PROGRAM	12.800	FA9550-14-1-0184	\$ -	\$ (885)
University of Arizona	AIR FORCE DEFENSE RESEARCH SCIENCES PROGRAM	12.800	FA9550-15-1-0430	\$ -	\$ 9,145
University of Arizona	AIR FORCE DEFENSE RESEARCH SCIENCES PROGRAM	12.800	FA9550-12-1-0449	\$ -	\$ 54,695
University of Dayton Research Institute			CFDA 12.800 Total	\$ -	\$ 267,398
DEPARTMENT OF INTERIOR (DOI) - DIRECT	CULTURAL RESOURCE MANAGEMENT	15.224		\$ -	\$ 2,569
			CFDA 15.224 Total	\$ -	\$ 2,569
DEPARTMENT OF INTERIOR (DOI) - PASS THRU	RECREATION RESOURCE MANAGEMENT	15.225	L12AC20032	\$ -	\$ 2,479
University of Alaska Fairbanks			CFDA 15.225 Total	\$ -	\$ 2,479
DEPARTMENT OF INTERIOR (DOI) - DIRECT	FISH, WILDLIFE, & PLANT CONSERVATION RESOURCE MGT	15.231		\$ -	\$ 26,895
DEPARTMENT OF INTERIOR (DOI) - PASS THRU	FISH, WILDLIFE, & PLANT CONSERVATION RESOURCE MGT	15.231	L15AC000274	\$ -	\$ 109,884
New Mexico Association of Conservation District			CFDA 15.231 Total	\$ -	\$ 136,779
DEPARTMENT OF INTERIOR (DOI) - DIRECT	INVESTIGATION, EVALUATION & INTER	15.238		\$ -	\$ 16,480
			CFDA 15.238 Total	\$ -	\$ 16,480
DEPARTMENT OF INTERIOR (DOI) - DIRECT	WATER DESALINATION RESEARCH & DEV	15.506		\$ -	\$ 454,567
			CFDA 15.506 Total	\$ -	\$ 454,567
DEPARTMENT OF INTERIOR (DOI) - PASS THRU	FISH & WILDLIFE COORDINATION ACT	15.517	R12AP40043	\$ 5,000	\$ 10,808
Texas AgriLife Research			CFDA 15.517 Total	\$ 5,000	\$ 10,808
DEPARTMENT OF INTERIOR (DOI) - DIRECT	SECURE WATER ACT	15.560	R17AC00035	\$ -	\$ 4,436
	RESEARCH GRANTS, GENERIC	15.650		\$ -	\$ 57,091
			CFDA 15.650 Total	\$ -	\$ 61,527
DEPARTMENT OF INTERIOR (DOI) - DIRECT	MIGRATORY BIRD MONITORING, ASSESSMENT & CONSERV	15.655		\$ -	\$ 39,620
			CFDA 15.655 Total	\$ -	\$ 39,620
DEPARTMENT OF INTERIOR (DOI) - DIRECT	ASSISTANCE TO STATE WATER RESEARCH INSTITUTES	15.805		\$ 51,223	\$ 261,330
			CFDA 15.805 Total	\$ 51,223	\$ 261,330
DEPARTMENT OF INTERIOR (DOI) - DIRECT	US GEOLOGICAL SURVEY	15.808		\$ 289,025	\$ 322,456
			CFDA 15.808 Total	\$ 289,025	\$ 322,456
DEPARTMENT OF INTERIOR (DOI) - DIRECT	COOPERATIVE RESEARCH UNITS PROGRAM	15.812		\$ 1,667	\$ 395,252
			CFDA 15.812 Total	\$ 1,667	\$ 395,252
DEPARTMENT OF INTERIOR (DOI) - DIRECT	COOPERATIVE RESEARCH & TRAINING PROGRAM	15.945		\$ -	\$ 266,608
			CFDA 15.945 Total	\$ -	\$ 266,608
DEPARTMENT OF STATE (DOS) - PASS THRU	BUILDING CAPACITY FOR RESEARCH &	19.040	S-C0200-16-GR176	\$ -	\$ 8,817
Washington State University			CFDA 19.040 Total	\$ -	\$ 8,817
DEPARTMENT OF TRANSPORTATION (DOT) - DIRECT	AIR TRANSPORTATION CENTERS FO EXCELLENCE	20.109		\$ 67,350	\$ 217,345
			CFDA 20.109 Total	\$ 67,350	\$ 217,345
DEPARTMENT OF TRANSPORTATION (DOT) - PASS THRU	UNIVERSITY TRANSPORTATION CENTERS PROGRAM	20.701	UNR-14-59 (DTRT13-G-UTC55)	\$ -	\$ 15,207
Board of Regents Nevada System of Higher Education	UNIVERSITY TRANSPORTATION CENTERS PROGRAM	20.701	69A3551747106	\$ -	\$ 124,408
Louisiana State University and A & M College			CFDA 20.701 Total	\$ -	\$ 139,615
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA) - DIRECT	SCIENCE GRANTS	43.001		\$ -	\$ 1,243,067
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA) - PASS THRU	SCIENCE GRANTS	43.001	NNN12AA01C	\$ -	\$ 41,634
California Institute of Technology	SCIENCE GRANTS	43.001	NNX17A136G	\$ -	\$ 38,984
NorthWest Research Associates, Inc.	SCIENCE GRANTS	43.001	NNX17AD31G	\$ -	\$ 47,139
William Marsh Rice University			CFDA 43.001 Total	\$ -	\$ 1,370,824
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA) - DIRECT	EDUCATION	43.008		\$ 389,539	\$ 1,735,030
			CFDA 43.008 Total	\$ 389,539	\$ 1,735,030
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA) - DIRECT	ABSORPTION OF NDMA ON CARBONS	43.010		\$ -	\$ 114,651
			CFDA 43.010 Total	\$ -	\$ 114,651
NATIONAL ENDOWMENT FOR HUMANITIES (NEH) - PASS THRU	AMERASIA: A RENAISSANCE DISCOVERY	45.161	RZ-249862-16	\$ -	\$ 2,339
New York University			CFDA 45.161 Total	\$ -	\$ 2,339
NATIONAL SCIENCE FOUNDATION (NSF) - DIRECT	ENGINEERING GRANTS	47.041		\$ -	\$ 615,274
NATIONAL SCIENCE FOUNDATION (NSF) - PASS THRU					

See accompanying independent auditor's report.

Schedule 7 - Schedule of Expenditures of Federal Awards

Name of Program / Agency	Award Title	CFDA Number	Grant Code	Subrecipient Expenditures	Total Expenditures
RESEARCH AND DEVELOPMENT CLUSTER					
Arizona State University	ENGINEERING GRANTS	47.041	EEC-1449501	\$ 3,000	\$ 513,955
Stanford University	ENGINEERING GRANTS	47.041	1559984	\$ -	\$ 40,840
Stanford University	ENGINEERING GRANTS	47.041	EEC-1028968	\$ -	\$ 472,203
University of Texas	ENGINEERING GRANTS	47.041	CNS-1042341	\$ -	\$ 48,341
University Systems of New Hampshire	ENGINEERING GRANTS	47.041	1662098	\$ -	\$ 29,705
			CFDA 47.041 Total	\$ 3,000	\$ 1,720,318
NATIONAL SCIENCE FOUNDATION (NSF) - DIRECT					
	MATHEMATICAL & PHYSICAL SCIENCES	47.049		\$ -	\$ 899,652
			CFDA 47.049 Total	\$ -	\$ 899,652
NATIONAL SCIENCE FOUNDATION (NSF) - DIRECT					
	GEOSCIENCES	47.050		\$ -	\$ 444,124
			CFDA 47.050 Total	\$ -	\$ 444,124
NATIONAL SCIENCE FOUNDATION (NSF) - DIRECT					
	COMPUTER & INFORMATION SCIENCE & ENGINEERING	47.070		\$ -	\$ 1,009,205
NATIONAL SCIENCE FOUNDATION (NSF) - PASS THRU					
University of New Mexico	COMPUTER & INFORMATION SCIENCE & ENGINEERING	47.070	1541340	\$ -	\$ (2,398)
University of Texas at El Paso	COMPUTER & INFORMATION SCIENCE & ENGINEERING	47.070	1551221	\$ -	\$ 11,377
			CFDA 47.070 Total	\$ -	\$ 1,018,184
NATIONAL SCIENCE FOUNDATION (NSF) - DIRECT					
	BIOLOGICAL SCIENCES	47.074		\$ 5,985	\$ 1,875,536
NATIONAL SCIENCE FOUNDATION (NSF) - PASS THRU					
Northern Arizona University	BIOLOGICAL SCIENCES	47.074	1602081	\$ -	\$ 8,568
			CFDA 47.074 Total	\$ 5,985	\$ 1,884,104
NATIONAL SCIENCE FOUNDATION (NSF) - DIRECT					
	SOCIAL, BEHAVIORAL, & ECONOMIC SCIENCES	47.075		\$ 21,523	\$ 226,396
			CFDA 47.075 Total	\$ 21,523	\$ 226,396
NATIONAL SCIENCE FOUNDATION (NSF) - DIRECT					
	EDUCATION & HUMAN RESOURCES	47.076		\$ 203,615	\$ 2,239,191
NATIONAL SCIENCE FOUNDATION (NSF) - PASS THRU					
National Alliance for Partnerships in Equity Education Found	EDUCATION & HUMAN RESOURCES	47.076	NSF DUE-1601548	\$ -	\$ 30,974
			CFDA 47.076 Total	\$ 203,615	\$ 2,270,165
NATIONAL SCIENCE FOUNDATION (NSF) - DIRECT					
	A NEW COLLABORATIVE EFFORT FOR BIOM	47.079		\$ -	\$ 13,354
			CFDA 47.079 Total	\$ -	\$ 13,354
NATIONAL SCIENCE FOUNDATION (NSF) - PASS THRU					
University of New Mexico	NM EPSCOR RII 4: ENERGIZE NEW MEXIC	47.080	IIA-1301346	\$ -	\$ 942,858
			CFDA 47.080 Total	\$ -	\$ 942,858
ENVIRONMENTAL PROTECTION AGENCY (EPA) - PASS THRU					
State of New Mexico	SEDIMENT & AGRICULTURAL SAMPLING	66.204	01F22301	\$ -	\$ 69,156
			CFDA 66.204 Total	\$ -	\$ 69,156
ENVIRONMENTAL PROTECTION AGENCY (EPA) - DIRECT					
	POLLUTION PREVENTION GRANTS	66.708		\$ -	\$ 117,921
			CFDA 66.708 Total	\$ -	\$ 117,921
ENVIRONMENTAL PROTECTION AGENCY (EPA) - DIRECT					
	SOURCE REDUCTION ASSISTANCE	66.717		\$ -	\$ 6,723
			CFDA 66.717 Total	\$ -	\$ 6,723
DEPARTMENT OF ENERGY (DOE) - DIRECT					
	OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	81.049		\$ -	\$ 590,483
DEPARTMENT OF ENERGY (DOE) - PASS THRU					
ITN Energy Systems, Inc.	OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	81.049	DE-AR0000651	\$ -	\$ 63,168
			CFDA 81.049 Total	\$ -	\$ 653,651
DEPARTMENT OF ENERGY (DOE) - PASS THRU					
Battelle Memorial Institute	IMPROVED & CATALYTIC HYDROTHERMAL	81.079	DE-AC05-76RLO1830	\$ -	\$ 131,952
			CFDA 81.079 Total	\$ -	\$ 131,952
DEPARTMENT OF ENERGY (DOE) - PASS THRU					
Arizona State University	RENEWAL ENERGY RESEARCH & DEVELOPMENT	81.087	DEEE0007562	\$ -	\$ 104,854
University of Arizona	RENEWAL ENERGY RESEARCH & DEVELOPMENT	81.087	DD-EE0006269	\$ -	\$ 85,871
			CFDA 81.087 Total	\$ -	\$ 190,725
DEPARTMENT OF ENERGY (DOE) - DIRECT					
	ENVIR REMEDIATION & WASTE PROCESSING & DISPOSAL	81.104		\$ -	\$ 2,535,454
DEPARTMENT OF ENERGY (DOE) - PASS THRU					
Savannah River Nuclear Solutions, LLC	ENVIR REMEDIATION & WASTE PROCESSING & DISPOSAL	81.104	DE-AC09-08SR22470	\$ -	\$ 238,750
			CFDA 81.104 Total	\$ -	\$ 2,774,204
DEPARTMENT OF EDUCATION (EDUC) - DIRECT					
	EXTENDING ACADEMIC ANALYTICS: APPLI	84.120		\$ 11,002	\$ 102,074
			CFDA 84.120 Total	\$ 11,002	\$ 102,074
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - DIRECT					
	FOOD & DRUG ADMINISTRATION RESEARCH	93.103		\$ -	\$ 749,180
			CFDA 93.103 Total	\$ -	\$ 749,180
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - DIRECT					
	MATERNAL & CHILD HEALTH FEDERAL CONSOLIDATED	93.110		\$ -	\$ 61,121
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - PASS THRU					
University of New Mexico	MATERNAL & CHILD HEALTH FEDERAL CONSOLIDATED	93.110	T04MC26891	\$ -	\$ 35,179
			CFDA 93.110 Total	\$ -	\$ 96,300
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - DIRECT					
	RESEARCH RELATED TO DEAFNESS & COMMUNICATION	93.173		\$ -	\$ 368,248
			CFDA 93.173 Total	\$ -	\$ 368,248
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - DIRECT					
	DISCOVERY & RESEARCH FOR TECH INNOVATIONS	93.286		\$ -	\$ 32,945
			CFDA 93.286 Total	\$ -	\$ 32,945
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - PASS THRU					
State of New Mexico	CHARACTERIZATION & CONTROL OF AED	93.323	5NUS0CK000413	\$ -	\$ 230,391
			CFDA 93.323 Total	\$ -	\$ 230,391
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - DIRECT					
	PARTNERSHIP FOR THE ADVANCEMENT	93.397		\$ -	\$ 879,752
			CFDA 93.397 Total	\$ -	\$ 879,752
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - DIRECT					
	FDA FERN COOPERATIVE AGREEMENT(U18)	93.448		\$ -	\$ 232,788
			CFDA 93.448 Total	\$ -	\$ 232,788
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - DIRECT					
	ALLERGY, IMMUNOLOGY & TRANSPLANTATION RESEARCH	93.855		\$ -	\$ 426,961
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - PASS THRU					
University of Texas	ALLERGY, IMMUNOLOGY & TRANSPLANTATION RESEARCH	93.855	1U01AI115577-01	\$ -	\$ 120,952
			CFDA 93.855 Total	\$ -	\$ 547,913
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - DIRECT					

See accompanying independent auditor's report.

Schedule 7 - Schedule of Expenditures of Federal Awards

Name of Program / Agency	Award Title	CFDA Number	Grant Code	Subrecipient Expenditures	Total Expenditures
RESEARCH AND DEVELOPMENT CLUSTER					
	BIOMEDICAL RESEARCH & RESEARCH TRAINING	93.859		\$ 2,464,147	\$ 5,473,287
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - PASS THRU					
Board of Regents Nevada System of Higher Education	BIOMEDICAL RESEARCH & RESEARCH TRAINING	93.859	5U54GM104944-05	\$ -	\$ 95,028
El Paso Community College	BIOMEDICAL RESEARCH & RESEARCH TRAINING	93.859	1R25GM123928-01	\$ -	\$ 10,676
Regents of the University of Colorado	BIOMEDICAL RESEARCH & RESEARCH TRAINING	93.859	2r25ns080685-06	\$ -	\$ 128,182
University of New Mexico	BIOMEDICAL RESEARCH & RESEARCH TRAINING	93.859	1R01CA94496-01A1	\$ -	\$ 78,728
University of New Mexico	BIOMEDICAL RESEARCH & RESEARCH TRAINING	93.859	2K12GM088021-06	\$ -	\$ 14,059
			CFDA 93.859 Total	\$ 2,464,147	\$ 5,799,960
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - DIRECT					
	CHILD HEALTH & HUMAN DEV EXTRAMURAL RESEARCH	93.865		\$ -	\$ 400,029
			CFDA 93.865 Total	\$ -	\$ 400,029
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - DIRECT					
	VISION RESEARCH	93.867		\$ -	\$ 6,650
			CFDA 93.867 Total	\$ -	\$ 6,650
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - PASS THRU					
Dona Ana County	ASSISTED OUTPATIENT TREATMENT	93.997	1H79SM063538	\$ -	\$ 61,141
Dona Ana County	ASSISTED OUTPATIENT TREATMENT	93.997	1H79SM063538-01	\$ -	\$ 104,002
			CFDA 93.997 Total	\$ -	\$ 165,143
DEPARTMENT OF HOMELAND SECURITY (DHS) - PASS THRU					
Northeastern University	CENTERS FOR HOMEL& SECURITY	97.061	2013-ST-061-ED0001	\$ -	\$ 63,198
			CFDA 97.061 Total	\$ -	\$ 63,198
AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - PASS THRU					
University of Georgia	USAID DEVELOPMENT PARTNERSHIPS	98.012	AIDCGA000700001	\$ 7,025	\$ 19,965
			CFDA 98.012 Total	\$ 7,025	\$ 19,965
DEPARTMENT OF DEFENSE (DOD) - DIRECT					
DEPARTMENT OF DEFENSE (DOD)	DEPARTMENT OF DEFENSE	12.rd		\$ 2,930,015	\$ 13,051,841
DEPARTMENT OF DEFENSE (DOD) - PASS THRU					
Aerojet Rocketdyne Coleman Aerospace	DEPARTMENT OF DEFENSE	12.rd	HQ0147-14-C-0001	\$ -	\$ 231,423
ATA Aerospace, LLC	DEPARTMENT OF DEFENSE	12.rd	FA9453-14-D-0312/TO06	\$ -	\$ 62,125
BAE Systems	DEPARTMENT OF DEFENSE	12.rd	W911NF-08-2-0004	\$ 159,092	\$ 159,092
Chemring Sensors and Electronic Systems Inc	DEPARTMENT OF DEFENSE	12.rd	W911FR-14-C-0045	\$ -	\$ (820)
Corvid Technologies, LLC	DEPARTMENT OF DEFENSE	12.rd	N/A	\$ 24,835	\$ 39,177
Georgia Institute of Technology	DEPARTMENT OF DEFENSE	12.rd	FA8075-14-D-0018	\$ -	\$ 16,285
Hamilton Sundstrand	DEPARTMENT OF DEFENSE	12.rd	FA8650-17-C-9101	\$ -	\$ 420,019
Hy-Tek Manufacturing Co.	DEPARTMENT OF DEFENSE	12.rd	W911SR-16-C-0056	\$ -	\$ 23,871
ISL Technologies, Inc	DEPARTMENT OF DEFENSE	12.rd	N00178-10-D-6124	\$ -	\$ 73,544
Kratos Defense & Security Solutions Inc	DEPARTMENT OF DEFENSE	12.rd	W9124Q-08-D-0800	\$ -	\$ 17,681
Luna Innovations Incorporated	DEPARTMENT OF DEFENSE	12.rd	W911SR-16-C-050	\$ -	\$ 38,431
NorthWest Research Associates, Inc.	DEPARTMENT OF DEFENSE	12.rd	FA9550-17-C-0021	\$ -	\$ 22,777
Oceanit Laboratories Inc.	DEPARTMENT OF DEFENSE	12.rd	W-911SR-15-C-0011	\$ -	\$ 7,718
Oceanit Laboratories Inc.	DEPARTMENT OF DEFENSE	12.rd	W911SR-16-C-0065	\$ -	\$ 28,522
PHYSICAL SCIENCES, INCORPORATED	DEPARTMENT OF DEFENSE	12.rd	W911SR-17-C-0013	\$ -	\$ 31,398
Raytheon	DEPARTMENT OF DEFENSE	12.rd	HR001117C0049	\$ -	\$ 19,779
Roccor, LLC	DEPARTMENT OF DEFENSE	12.rd	HQ0147-16-C-7726	\$ -	\$ 25,359
Science Research Laboratory	DEPARTMENT OF DEFENSE	12.rd	HQ0147-16-C-7725	\$ -	\$ 32,948
Secotec Inc	DEPARTMENT OF DEFENSE	12.rd	17-031 2015-340-INI0004	\$ -	\$ 4,337
Tau Technologies, LLC	DEPARTMENT OF DEFENSE	12.rd	FA9451-16-C-0406	\$ -	\$ 11,441
Teledyne Brown Engineering, Inc.	DEPARTMENT OF DEFENSE	12.rd	N/A	\$ -	\$ 188,954
			CFDA 12.rd Total	\$ 3,113,942	\$ 14,505,902
DEPARTMENT OF INTERIOR (DOI) - DIRECT					
	DEPARTMENT OF INTERIOR	15.rd		\$ -	\$ 15,063
DEPARTMENT OF INTERIOR (DOI) - PASS THRU					
State of NM Dept Of Game And Fish	DEPARTMENT OF INTERIOR	15.rd	N/A	\$ -	\$ 19,735
State of NM Dept Of Game And Fish	DEPARTMENT OF INTERIOR	15.rd	SPORTFISH RESTORATION F-91-M	\$ -	\$ 54,171
			CFDA 15.rd Total	\$ -	\$ 88,969
DEPARTMENT OF TRANSPORTATION (DOT) - PASS THRU					
Mississippi State University	DEPARTMENT OF TRANSPORTATION	20.rd	15-C-UAS-NMSU-A	\$ -	\$ 1,596
			CFDA 20.rd Total	\$ -	\$ 1,596
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA) - DIRECT					
	NATIONAL AERONAUTICS & SPACE ADMINISTRATION	43.rd		\$ -	\$ 205,176
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA) - PASS THRU					
California Institute of Technology	NATIONAL AERONAUTICS & SPACE ADMINISTRATION	43.rd	NNN12AA01C	\$ -	\$ 65,826
Orbital Science Corporation	NATIONAL AERONAUTICS & SPACE ADMINISTRATION	43.rd	NGG15WA53C	\$ -	\$ 70,005
Orbital Science Corporation	NATIONAL AERONAUTICS & SPACE ADMINISTRATION	43.rd	NGG16WA70C	\$ -	\$ 616,451
Peraton Inc.	NATIONAL AERONAUTICS & SPACE ADMINISTRATION	43.rd	NGG09DA01C	\$ -	\$ 308,392
Space Telescope Science Institute	NATIONAL AERONAUTICS & SPACE ADMINISTRATION	43.rd	NAS5-26555	\$ -	\$ 82,572
			CFDA 43.rd Total	\$ -	\$ 1,348,422
NATIONAL SCIENCE FOUNDATION (NSF) - DIRECT					
	NATIONAL SCIENCE FOUNDATION	47.rd		\$ -	\$ 83,931
NATIONAL SCIENCE FOUNDATION (NSF) - PASS THRU					
Stanford University	NATIONAL SCIENCE FOUNDATION	47.rd	N/A	\$ -	\$ 11,240
			CFDA 47.rd Total	\$ -	\$ 95,171
DEPARTMENT OF ENERGY (DOE) - PASS THRU					
Argonne National Laboratory	DEPARTMENT OF ENERGY	81.rd	DE-AC02-06CH11357	\$ -	\$ 36,006
Battelle Energy Alliance, LLC	DEPARTMENT OF ENERGY	81.rd	DE-AC07-015D14517	\$ -	\$ 12,863
Brookhaven National Laboratory	DEPARTMENT OF ENERGY	81.rd	N/A	\$ -	\$ 161,700
FERMI RESEARCH ALLIANCE LLC	DEPARTMENT OF ENERGY	81.rd	DE-AC02-07CH11359	\$ -	\$ 8,323
Los Alamos National Security LLC	DEPARTMENT OF ENERGY	81.rd	AC52-06NA25396	\$ -	\$ 77,708
Los Alamos National Security LLC	DEPARTMENT OF ENERGY	81.rd	DE-AC52-06NA25396	\$ -	\$ 491,392
Los Alamos National Security LLC	DEPARTMENT OF ENERGY	81.rd	DEC-AC52-06NA25396	\$ -	\$ 238,172
NTESS Sandia National Laboratories	DEPARTMENT OF ENERGY	81.rd	1875431	\$ -	\$ 20,518
Nuclear Waste Partnership LLC	DEPARTMENT OF ENERGY	81.rd	DE-EM0001971	\$ -	\$ 187,417
Nuclear Waste Partnership LLC	DEPARTMENT OF ENERGY	81.rd	DE-EM-0001971	\$ -	\$ 59,824
Sandia Corporation	DEPARTMENT OF ENERGY	81.rd	1190106	\$ -	\$ 151,720
UT-Battelle LLC	DEPARTMENT OF ENERGY	81.rd	DE-AC05-00OR22725	\$ -	\$ 50,320
			CFDA 81.rd Total	\$ -	\$ 1,495,963
AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) - DIRECT					
	AGENCY FOR INTERNATIONAL DEVELOPMENT	98.rd		\$ -	\$ 78,459
			CFDA 98.rd Total	\$ -	\$ 78,459
RESEARCH & DEVELOPMENT CLUSTER - MAJOR PROGRAM TOTAL				\$ 7,761,360	\$ 58,910,618

See accompanying independent auditor's report.

Schedule 7 - Schedule of Expenditures of Federal Awards

Name of Program / Agency	Award Title	CFDA Number	Grant Code	Subrecipient Expenditures	Total Expenditures
STUDENT FINANCIAL AID CLUSTER					
DEPARTMENT OF EDUCATION (EDUC) - LOANS					
	PERKINS LOANS - BEGINNING BALANCE	84.038		\$	11,407,420
	PERKINS LOANS - DISBURSED IN FY18	84.038		\$	221,486
	PERKINS LOAN CANCELLATIONS	84.037		\$ -	66,311
	TOTAL PERKINS LOANS			\$	11,695,217
	FEDERAL DIRECT LOANS	84.268		\$	47,395,245
	DEPARTMENT OF EDUCATION (EDUC) - LOANS Total			\$	59,090,462
DEPARTMENT OF EDUCATION (EDUC)					
	FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS	84.007		\$ -	311,704
	FEDERAL WORK-STUDY PROGRAM	84.033		\$ -	1,376,353
	FEDERAL PELL GRANT PROGRAM	84.063		\$ -	41,162,544
	TEACHER EDUCATION ASSISTANCE FOR COLLEGE AND HIGHER ED GRANTS	84.379		\$ -	7,448
	DEPARTMENT OF EDUCATION (EDUC) Total			\$ -	42,858,049
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS)					
	SCHOLARSHIPS FOR DISADVANTAGED STUDENTS	93.925		\$ -	294,209
	DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) Total			\$ -	294,209
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER				\$ -	\$ 102,242,720

See accompanying independent auditor's report.

Schedule 7 - Schedule of Expenditures of Federal Awards

Name of Program / Agency	Award Title	CFDA Number	Grant Code	Subrecipient Expenditures	Total Expenditures
INDIVIDUAL AWARDS - OTHER					
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	WILDLIFE SERVICES	10.028		\$ -	\$ 48,648
			CFDA 10.028 Total	\$ -	\$ 48,648
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	ORGANIC CERTIFICATION COST SHARE	10.171		\$ -	\$ 50,609
			CFDA 10.171 Total	\$ -	\$ 50,609
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU University of Delaware	HIGHER EDUCATION - CHALLENGE GRANTS	10.217	2012-70003-20059	\$ -	\$ 22,000
			CFDA 10.217 Total	\$ -	\$ 22,000
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU University of Tennessee	SECONDARY AND TWO-YEAR AGRICULTURE EDUCATION	10.226	2015-38414-24223	\$ -	\$ 33,050
				\$ -	\$ 33,050
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	AGRICULTURAL AND RURAL ECONOMIC RESEARCH	10.250		\$ -	\$ 2,856
			CFDA 10.250 Total	\$ -	\$ 2,856
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	CONSUMER DATA AND NUTRITION RESEARCH	10.253		\$ -	\$ 90,656
			CFDA 10.253 Total	\$ -	\$ 90,656
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	INTEGRATED PROGRAMS	10.303		\$ -	\$ 34,673
			CFDA 10.303 Total	\$ -	\$ 34,673
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	HOMELAND SECURITY_AGRICULTURAL	10.304		\$ -	\$ 67,295
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU Purdue University	HOMELAND SECURITY_AGRICULTURAL	10.304	2017-37620-27136	\$ -	\$ 21,438
Regents University of California Davis	HOMELAND SECURITY_AGRICULTURAL	10.304	2016-37620-25851	\$ -	\$ 22,924
			CFDA 10.304 Total	\$ -	\$ 111,657
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	BEGINNING FARMER AND RANCHER DEVELOPMENT PRO	10.311		\$ 32,998	\$ 176,521
			CFDA 10.311 Total	\$ 32,998	\$ 176,521
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	CROP PROTECTION AND PEST MANAGEMENT	10.329		\$ -	\$ 80,247
			CFDA 10.329 Total	\$ -	\$ 80,247
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	FARM OPERATING LOANS	10.406		\$ -	\$ 32,851
			CFDA 10.406 Total	\$ -	\$ 32,851
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	STATE MEDIATION GRANTS	10.435		\$ -	\$ 38,003
			CFDA 10.435 Total	\$ -	\$ 38,003
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU Developing Innovations in Navajo Education, Inc. DINE, Inc.	OUTREACH & ASSISTANCE FOR SOCIALLY DISADVANTAGED	10.443	59-2501-16-010	\$ -	\$ 4,371
Developing Innovations in Navajo Education, Inc. DINE, Inc.	OUTREACH & ASSISTANCE FOR SOCIALLY DISADVANTAGED	10.443	AO172501X443G010	\$ -	\$ 7,257
			CFDA 10.443 Total	\$ -	\$ 11,628
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	COOPERATIVE EXTENSION SERVICE	10.500		\$ -	\$ 2,629,265
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU Kansas State University	COOPERATIVE EXTENSION SERVICE	10.500	2013-48696-21184	\$ -	\$ 15,233
Kansas State University	COOPERATIVE EXTENSION SERVICE	10.500	2016-48696-25889	\$ -	\$ 7,568
University of Arizona	COOPERATIVE EXTENSION SERVICE	10.500	00-41580-0867	\$ -	\$ 93,642
Washington State University	COOPERATIVE EXTENSION SERVICE	10.500	2015-49200-24227	\$ -	\$ 41,281
			CFDA 10.500 Total	\$ -	\$ 2,786,989
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU Children Youth and Family Dept State NM	HEADSTART CHILD AND ADULT CARE FOOD	10.558	N/A	\$ -	\$ 145,287
			CFDA 10.558 Total	\$ -	\$ 145,287
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	FACULTY EXCHANGE PROGRAM	10.613		\$ -	\$ 49,336
			CFDA 10.613 Total	\$ -	\$ 49,336
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU Mississippi State University	RURAL COOPERATIVE DEVELOPMENT GRANTS	10.771	RBS-14-23	\$ -	\$ (238)
			CFDA 10.771 Total	\$ -	\$ (238)
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU Mississippi State University	RURAL DEVELOPMENT COOPERATIVE AGREEMENT	10.890	RD-RB-16-38	\$ -	\$ 20,382
			CFDA 10.890 Total	\$ -	\$ 20,382
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	CONSERVATION STEWARDSHIP PROGRAM	10.924		\$ -	\$ 56,204
			CFDA 10.924 Total	\$ -	\$ 56,204
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	TECHNICAL AGRICULTURAL ASSISTANCE	10.960		\$ -	\$ 243,394
			CFDA 10.960 Total	\$ -	\$ 243,394
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT	COCHRAN FELLOSHIP PROGRAM	10.962		\$ -	\$ 42,576
			CFDA 10.962 Total	\$ -	\$ 42,576
DEPARTMENT OF COMMERCE (DOC) - DIRECT	CLUSTER GRANTS	11.020		\$ -	\$ 123,071
			CFDA 11.020 Total	\$ -	\$ 123,071
DEPARTMENT OF COMMERCE (DOC) - DIRECT	ECONOMIC DEVELOPMENT_TECHNICAL ASSISTANCE	11.303		\$ -	\$ 100,916
			CFDA 11.303 Total	\$ -	\$ 100,916
DEPARTMENT OF INTERIOR (DOI) - DIRECT	ENDANGERED SPECIES CONSERV- WOLF LIVESTOCK LOSS	15.666		\$ (1,500)	\$ (1,500)

See accompanying independent auditor's report.

Schedule 7 - Schedule of Expenditures of Federal Awards

Name of Program / Agency	Award Title	CFDA Number	Grant Code	Subrecipient Expenditures	Total Expenditures
INDIVIDUAL AWARDS - OTHER					
				CFDA 15.666 Total	\$ (1,500) \$ (1,500)
DEPARTMENT OF INTERIOR (DOI) - PASS THRU					
America View	NATIONAL LAND REMOTE SENSING EDUCATION OUTREACH	15.815	G14AP00002	\$ -	\$ 4,206
				CFDA 15.815 Total	\$ - \$ 4,206
DEPARTMENT OF LABOR (DOL) - PASS THRU					
Santa Fe Community College	TRADE ADJUSTMENT COMMUNITY COLLEGE	17.282	TC-26486-14-60-A-35	\$ -	\$ 189,445
				CFDA 17.282 Total	\$ - \$ 189,445
DEPARTMENT OF LABOR (DOL) - PASS THRU					
University of Texas	SUSAN HARWOOD TRAINING GRANT PROGRA	17.502	SH-29638-16-60-F-48	\$ -	\$ 12,144
				CFDA 17.502 Total	\$ - \$ 12,144
DEPARTMENT OF TRANSPORTATION (DOT) - DIRECT					
	HIGHWAY TRAINING AND EDUCATION	20.215		\$ -	\$ 27,245
				CFDA 20.215 Total	\$ - \$ 27,245
NATIONAL ENDOWMENT FOR THE ARTS - DIRECT					
	PROMOTION OF THE ARTS_GRANTS TO ORGANIZATIONS	45.024		\$ -	\$ 19,696
				CFDA 45.024 Total	\$ - \$ 19,696
NATIONAL ENDOWMENT FOR THE ARTS - PASS THRU					
New Mexico Department of Cultural Affairs	PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS	45.025	17-6100-2031	\$ -	\$ 5,634
				CFDA 45.025 Total	\$ - \$ 5,634
SMALL BUSINESS ADMINISTRATION (SBA) - PASS THRU					
New Mexico Small Business Development Center	SMALL BUSINESS DEVELOPMENT CENTERS	59.037	OSBDC-2017-02	\$ -	\$ 87,355
				CFDA 59.037 Total	\$ - \$ 87,355
SMALL BUSINESS ADMINISTRATION (SBA) - DIRECT					
	FEDERAL AND STATE TECHNOLOGY PARTNERSHIP	59.058		\$ -	\$ 130,725
				CFDA 59.058 Total	\$ - \$ 130,725
ENVIRONMENTAL PROTECTION AGENCY (EPA) - DIRECT					
	CONSOLIDATED PESTICIDE ENFORCEMENT COOP	66.700		\$ -	\$ 322,394
				CFDA 66.700 Total	\$ - \$ 322,394
ENVIRONMENTAL PROTECTION AGENCY (EPA) - PASS THRU					
State of New Mexico	GOLD KING MINE LONG TERM MONITORING	66.802	01F16901	\$ -	\$ 51,426
				CFDA 66.802 Total	\$ - \$ 51,426
DEPARTMENT OF EDUCATION (EDUC) - PASS THRU					
New Mexico Higher Education Department	ADULT EDUCATION	84.002	V002A160032	\$ -	\$ (2,564)
New Mexico Higher Education Department	ADULT EDUCATION	84.002	V002A170032	\$ -	\$ 510,201
				CFDA 84.002 Total	\$ - \$ 507,637
DEPARTMENT OF EDUCATION (EDUC) - DIRECT					
	HIGHER EDUCATION_INSTITUTIONAL AID	84.031		\$ -	\$ 1,846,182
				CFDA 84.031 Total	\$ - \$ 1,846,182
DEPARTMENT OF EDUCATION (EDUC) - PASS THRU					
New Mexico Public Education Department	CAREER AND TECHNICAL EDUCATION	84.048	V048A150031-15A	\$ -	\$ (1,417)
New Mexico Public Education Department	CAREER AND TECHNICAL EDUCATION	84.048	V048A150031-15B	\$ -	\$ 18,391
New Mexico Public Education Department	CAREER AND TECHNICAL EDUCATION	84.048	V048A160031-16A	\$ -	\$ 14,424
New Mexico Public Education Department	CAREER AND TECHNICAL EDUCATION	84.048	V048A170031	\$ -	\$ 478,298
New Mexico Public Education Department	CAREER AND TECHNICAL EDUCATION	84.048	V048S160031-16A	\$ -	\$ 38,411
				CFDA 84.048 Total	\$ - \$ 548,107
DEPARTMENT OF EDUCATION (EDUC) - PASS THRU					
Western Interstate Commission for Higher Education	FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUC	84.116	P116FF150044	\$ -	\$ 11,396
				CFDA 84.116 Total	\$ - \$ 11,396
DEPARTMENT OF EDUCATION (EDUC) - DIRECT					
	COLLEGE ASSISTANCE MIGRANT PGM CAMP	84.149		\$ -	\$ 352,153
				CFDA 84.149 Total	\$ - \$ 352,153
DEPARTMENT OF EDUCATION (EDUC) - DIRECT					
	GRADUATION ASSISTANCE IN AREAS OF NATIONAL NEED	84.200		\$ -	\$ 195,306
				CFDA 84.200 Total	\$ - \$ 195,306
DEPARTMENT OF EDUCATION (EDUC) - PASS THRU					
New Mexico Public Education Department	TWENTY-FIRST CENTURY COMMUNITY LEARNING	84.287	S287C160031	\$ -	\$ 3,337
New Mexico Public Education Department	TWENTY-FIRST CENTURY COMMUNITY LEARNING	84.287	S287C170031	\$ -	\$ 2,162,615
				CFDA 84.287 Total	\$ - \$ 2,165,952
DEPARTMENT OF EDUCATION (EDUC) - PASS THRU					
Corporation For Public Broadcasting	READY TO LEARN COMMUNITY COLLECTIVE	84.295	U295A150003-17	\$ -	\$ 5,000
				CFDA 84.295 Total	\$ - \$ 5,000
DEPARTMENT OF EDUCATION (EDUC) - PASS THRU					
Texas A&M University	INSTITUTE OF EDUCATION SCIENCES	84.305	R305150057	\$ -	\$ 22,103
				CFDA 84.305 Total	\$ - \$ 22,103
DEPARTMENT OF EDUCATION (EDUC) - DIRECT					
	SPECIAL EDUCATION - PERSONNEL DEVELOPMENT	84.325		\$ 184,005	\$ 316,820
				CFDA 84.325 Total	\$ 184,005 \$ 316,820
DEPARTMENT OF EDUCATION (EDUC) - DIRECT					
	ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365		\$ -	\$ 533,103
				CFDA 84.365 Total	\$ - \$ 533,103
DEPARTMENT OF EDUCATION (EDUC) - PASS THRU					
National Writing Project	IMPROVING TEACH QUALITY STATE GRANTS	84.367	U367D150004	\$ -	\$ 6,052
New Mexico Higher Education Department	IMPROVING TEACH QUALITY STATE GRANTS	84.367	S367B140028	\$ -	\$ 88,032
New Mexico Higher Education Department	IMPROVING TEACH QUALITY STATE GRANTS	84.367	S367B140028	\$ -	\$ 87,469
				CFDA 84.367 Total	\$ - \$ 181,553
DEPARTMENT OF EDUCATION (EDUC) - DIRECT					
	STRENGTHENING MINORITY-SERVING INSTITUTIONS	84.382		\$ -	\$ 31,536
				CFDA 84.382 Total	\$ - \$ 31,536
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - PASS THRU					
University of New Mexico	AREA HEALTH EDUCATION CENTERS	93.107	2 U77HP23074-07-00	\$ -	\$ 28,382
University of New Mexico	AREA HEALTH EDUCATION CENTERS	93.107	U77HP23074-02-00	\$ -	\$ 17,030
				CFDA 93.107 Total	\$ - \$ 45,412
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - DIRECT					
	GRADUATE PSYCHOLOGY EDUCATION PROGRAM	93.191		\$ -	\$ 276,134
				CFDA 93.191 Total	\$ - \$ 276,134
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - DIRECT					

See accompanying independent auditor's report.

Schedule 7 - Schedule of Expenditures of Federal Awards

Name of Program / Agency	Award Title	CFDA Number	Grant Code	Subrecipient Expenditures	Total Expenditures
INDIVIDUAL AWARDS - OTHER					
	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES	93.243		\$ -	\$ 92,684
			CFDA 93.243 Total	\$ -	\$ 92,684
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - PASS THRU					
Children Youth and Family Dept State NM	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES	93.243	1H79SM061905	\$ 102,000	\$ 850,701
Children Youth and Family Dept State NM	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES	93.243	1H79SM061905-01	\$ 742,744	\$ 910,765
Children Youth and Family Dept State NM	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES	93.243	1H79T1026032-01	\$ 62,070	\$ 67,007
Children Youth and Family Dept State NM	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES	93.243	TI 025480	\$ 27,855	\$ 39,100
Children Youth and Family Dept State NM	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES	93.243	TI025480	\$ 31,338	\$ 58,327
			CFDA 93.243 Total	\$ 966,007	\$ 2,018,584
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - PASS THRU					
HealthInsight Management Corporation	NATIONAL DIABETES PREVENTION PROGRAM	93.261	1 NU58DP006369-01-00	\$ -	\$ 125
			CFDA 93.261 Total	\$ -	\$ 125
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - DIRECT					
	LEADERSHIP IN PUBLIC HEALTH SOCIAL WORK EDUCATION	93.330		\$ -	\$ 150,476
			CFDA 93.330 Total	\$ -	\$ 150,476
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - DIRECT					
	RESEARCH INFRASTRUCTURE PROGRAMS	93.351		\$ 49,316	\$ 170,396
			CFDA 93.351 Total	\$ 49,316	\$ 170,396
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - PASS THRU					
New Mexico Public Education Department	PREGNANCY ASSISTANCE FUND	93.500	5 SP1AH000021-04-00	\$ -	\$ 2,008
			CFDA 93.500 Total	\$ -	\$ 2,008
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - PASS THRU					
State of New Mexico	COURT IMPROVEMENT PROJECT	93.586	G-1701NMSCIP	\$ -	\$ 45,198
			CFDA 93.586 Total	\$ -	\$ 45,198
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - DIRECT					
	HEAD START	93.600		\$ -	\$ 2,254,081
			CFDA 93.600 Total	\$ -	\$ 2,254,081
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - PASS THRU					
Joslin Diabetes Center, Inc.	HEALTH CARE INNOVATION AWARDS	93.610	1C1CMS331021-01-00	\$ -	\$ 72,062
			CFDA 93.610 Total	\$ -	\$ 72,062
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - PASS THRU					
Children Youth and Family Dept State NM	CHILDREN'S JUSTICE GRANTS TO STATES	93.643	G-1501NMCJA1	\$ -	\$ 22,500
			CFDA 93.643 Total	\$ -	\$ 22,500
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - PASS THRU					
Children Youth and Family Dept State NM	TITLE IV-E PROGRAM	93.658	G1501NMF0ST/G1601NMF0ST	\$ -	\$ 44
Children Youth and Family Dept State NM	TITLE IV-E PROGRAM	93.658	G1601-NMF0ST/G1701-NMF0ST	\$ -	\$ 453,137
			CFDA 93.658 Total	\$ -	\$ 453,181
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - DIRECT					
	MENTAL & BEHAVIORAL HEALTH EDUCATION & TRAINING	93.732		\$ -	\$ 289,622
			CFDA 93.732 Total	\$ -	\$ 289,622
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - PASS THRU					
State of New Mexico	EMPOWERING OLDER ADULTS	93.734	N/A	\$ -	\$ 78,716
			CFDA 93.734 Total	\$ -	\$ 78,716
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - PASS THRU					
Children Youth and Family Dept State NM	OPIOID STR	93.788	1H79TI080267-01 FAIN TI080267	\$ -	\$ 132,948
			CFDA 93.788 Total	\$ -	\$ 132,948
DEPARTMENT OF HOMELAND SECURITY (DHS) - PASS THRU					
NM Department Of Homeland Security	HAZARD MITIGATION GRANT	97.039	FEMA-4199-DR-NM	\$ -	\$ 168,988
			CFDA 97.039 Total	\$ -	\$ 168,988
DEPARTMENT OF HOMELAND SECURITY (DHS) - PASS THRU					
NM Department Of Homeland Security	EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	EMT-2016-EP-00005-S01	\$ -	\$ 727
NM Department Of Homeland Security	EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	EMT-2017-EP-00002-S01	\$ -	\$ 294,317
			CFDA 97.042 Total	\$ -	\$ 295,044
DEPARTMENT OF HOMELAND SECURITY (DHS) - PASS THRU					
NM Department Of Homeland Security	HOMELAND SECURITY GRANT PROGRAM	97.067	DHS-16-GPD-067-00-01	\$ -	\$ 64,938
NM Department Of Homeland Security	HOMELAND SECURITY GRANT PROGRAM	97.067	EMW-2016-S5-00105	\$ -	\$ 4,914
			CFDA 97.067 Total	\$ -	\$ 69,852
DEPARTMENT OF AGRICULTURE (USDA) - DIRECT					
	DEPARTMENT OF AGRICULTURE	10.xx		\$ -	\$ 52,166
			CFDA 10.xx Total	\$ -	\$ 52,166
DEPARTMENT OF COMMERCE (DOC) - PASS THRU					
Synoptic Data Corp.	DEPARTMENT OF COMMERCE	11.xx	EA-133W-16-CQ-0054	\$ -	\$ 57,491
			CFDA 11.xx Total	\$ -	\$ 57,491
DEPARTMENT OF DEFENSE (DOD) - PASS THRU					
AGEISS	DEPARTMENT OF DEFENSE	12.xx	W9113M-C-0036	\$ -	\$ 35,399
			CFDA 12.xx Total	\$ -	\$ 35,399
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA) - PASS THRU					
Jacobs Technology Inc.	NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	43.xx	NNJ11HA02C	\$ -	\$ 267,923
			CFDA 43.xx Total	\$ -	\$ 267,923
DEPARTMENT OF ENERGY (DOE) - PASS THRU					
Los Alamos National Security LLC	DEPARTMENT OF ENERGY	81.xx	DE-AC52-06NA25396	\$ -	\$ 169,859
Sandia Corporation	DEPARTMENT OF ENERGY	81.xx	DE-AC04-A94AL85000	\$ -	\$ 69,494
			CFDA 81.xx Total	\$ -	\$ 239,353
DEPARTMENT OF EDUCATION (EDUC) - PASS THRU					
New Mexico Higher Education Department	DEPARTMENT OF EDUCATION	84.xx	V002A170032	\$ -	\$ 62,213
			CFDA 84.xx Total	\$ -	\$ 62,213
DEPARTMENT OF HEALTH & HUMAN SERVICES (HHS) - PASS THRU					
Social & Scientific Systems, Inc	DEPARTMENT OF HEALTH & HUMAN SERVICES	93.xx	HHSN22612014000101	\$ -	\$ 5,125
Social & Scientific Systems, Inc	DEPARTMENT OF HEALTH & HUMAN SERVICES	93.xx	HHSN2612014000101	\$ -	\$ 32,868
University of New Mexico	DEPARTMENT OF HEALTH & HUMAN SERVICES	93.xx	2 U77HP23074-07-00	\$ -	\$ 57,412
			CFDA 93.xx Total	\$ -	\$ 95,405
SNAP CLUSTER					
DEPARTMENT OF AGRICULTURE (USDA) - PASS THRU					
New Mexico Human Services Department	SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.561	GSA 17-630-9000-0043	\$ -	\$ 410,272
New Mexico Human Services Department	SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.561	N/A	\$ -	\$ 1,217,792
			CFDA 10.561 Total	\$ -	\$ 1,628,064
			SNAP Cluster Total	\$ -	\$ 1,628,064
TRIO CLUSTER					
DEPARTMENT OF EDUCATION (EDUC) - DIRECT					
	TRIO STUDENT SUPPORT SERVICES PROGR	84.042		\$ -	\$ 601,742
			CFDA 84.042 Total	\$ -	\$ 601,742
DEPARTMENT OF EDUCATION (EDUC) - DIRECT					
	TRIO UPWARD BOUND	84.047		\$ -	\$ 654,393
			CFDA 84.047 Total	\$ -	\$ 654,393

See accompanying independent auditor's report.

Schedule 7 - Schedule of Expenditures of Federal Awards

Name of Program / Agency	Award Title	CFDA Number	Grant Code	Subrecipient Expenditures	Total Expenditures
INDIVIDUAL AWARDS - OTHER					
			TRIO Cluster Total	\$ -	\$ 1,256,135
	INDIVIDUAL AWARDS - OTHER TOTAL			\$ 1,230,826	\$ 22,106,410
	TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 8,992,186	\$ 183,259,748

See accompanying independent auditor's report.

Schedule 7 - Schedule of Expenditures of Federal Awards

Reconciliation to Statement of Revenues, Expenditures and Changes in Net Position

Federal Awards:	
Federal Appropriations, Grants and Contracts	\$ 82,542,027
Federal Pell Grant revenue	41,162,544
Portion of Capital Grants, Gifts and other Income related to Federal Awards	<u>512,747</u>
	124,217,318
Plus reconciling items:	
Adjustment to federal revenue for accrued liabilities	18,279
Adjustment to federal revenue for Department of Education loans	<u>59,024,151</u>
Federal Expenditures per Schedule 7	<u><u>\$ 183,259,748</u></u>

Notes to Schedule of Expenditures of Federal Awards**Note A:** Basis Of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal grant activity of the University under programs of the Federal Government for the year ended June 30, 2018. The information in this schedule is presented in accordance with 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

Note B: Significant Accounting Policies:

The accompanying schedule follows the accounting policies presented in Note 2 of the Notes to Financial Statements.

Note C: Federal Direct Student Loans, CFDA # 84.268. During the fiscal year ended June 30, 2018, the University processed \$47,395,245 in new loans under the Direct Student Loan Program (which includes Stafford Loans and Parents' Plus Loans).

Note D: During the fiscal year ended June 30, 2018, there were no federal funds made available in the form of non-cash assistance.

Note E: Federal Perkins Loan Program, CFDA # 84.038. Perkins loans awarded for the year ended June 30, 2018 totaled \$221,486, and the outstanding student loan balances under the Federal Perkins Loan Program was \$10,468,888.

Note F: New Mexico State University has elected not to use the 10% de minimis indirect cost rate.

See accompanying independent auditor's report.



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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*

Board of Regents
New Mexico State University
And
Mr. Wayne Johnson, New Mexico State Auditor:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the discretely presented component unit of New Mexico State University (the University), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 12, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001, which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of



our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of other findings as required by New Mexico state statute, section 12-6-5 NMSA 1978 as items 2018-002, 2018-003, and 2018-004.

The University's Responses to the Findings

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

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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Albuquerque, New Mexico
December 12, 2018



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

Board of Regents
New Mexico State University
And
Mr. Wayne Johnson, New Mexico State Auditor:

Report on Compliance for Each Major Federal Program

We have audited New Mexico State University's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2018. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, New Mexico State University 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 major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with the 12-6-5 NMSA 1978 and which are described in the accompanying schedule of other findings as required by New Mexico state statute, section 12-6-5 NMSA 1978 as item 2018-005. Our opinion on each major federal program is not modified with respect to this matter.



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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

KPMG LLP

Albuquerque, New Mexico
December 12, 2018

**Schedule of Findings and Questioned Costs
Year ended June 30, 2018**

(1) Summary of Auditors' Results

- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
- Material weaknesses: **No**
 - Significant deficiencies: **Yes**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
- Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for major programs: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- (g) Major programs:
- Student Financial Assistance Cluster – various CFDA numbers
 - Research and Development Cluster - various CFDA numbers
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a lowrisk auditee: **No**

**Schedule of Findings and Questioned Costs
Year ended June 30, 2018**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

2018-001 Misstatement in bond and investment amounts on the financial statements - Significant Deficiency

Criteria:

Governmental Accounting Standards and Board Codification (GASBC) D20.105 indicates that defeased debt is no longer reported as a liability on the face of the financial statements.

Condition:

In the current year, the University issued the 2017 series bonds (New Debt), which provided monies for four objectives: the current refunding of the 2006 bonds, the advanced refunding of portions of the 2010 and 2013 bond issues (Old Debt), crossover refunding of a portion of the 2010 bond issue, and new funds to provide for improvements at the University.

The advanced refunding of portions of the 2010 and 2013 bond issues qualified as a defeasance of debt which would result in accounting for the debt as if it had been paid off. However, the University continued to record the Old Debt of \$22,130,000 as a liability while adding the proceeds to be utilized to retire the Old Debt as an asset. This effectively "grossed up" both the assets and liabilities in the Statement of Net Position.

Cause:

The University has a process of reviewing new issuances of debt to determine the appropriate accounting for that debt. In accounting for the issuance of the 2017 series bonds, the University failed to identify the fact that the advanced refunding of portions of the 2010 and 2013 bond issues qualified as a defeasance of debt.

Effect:

The University "grossed up" the investments and the bonds payable, by approximately the amount of the defeased debt. In addition, the loss on defeasance of the Old Debt was not computed and recorded as a deferred outflow of resources

Recommendation:

We recommend management enhance the current process for review of new debt issuance documentation and the recording of new issuances. While management has a process in place to appropriately identify new issuances and consider the accounting for those issuances, this process is not in sufficient detail to ensure each aspect of a debt issuance is appropriately recorded.

Management's Response:

The University has implemented additional oversight and verification procedures enhancing the reviewing and recording of new debt issuance. This includes modification of the oversight model for our capital financing unit to ensure that there is a full understanding of all aspects of bond accounting and working together with all departments involved with the accounting. Historically, the Budget Office, Capital Finance and Treasury Services have all contributed to the accounting for bonds. Documented procedures will be utilized to enhance the capital finance unit's knowledge in verifying the related bond accounting process.

(3) Federal Award Findings and Questioned Costs

None

**Schedule of Other Findings
As Required by New Mexico State Statute 12-6-5, NMSA 1978
Year ended June 30, 2018**

Prior Year Findings

None

Other Findings as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978

2018-002 General IT review of user access to the Banner System - Finding that does not rise to the level of a significant deficiency.

Criteria:

The entities' system processes, records, and stores information that is vital to its daily operations and certain systems contain personally identifiable information (PII) of its employees and students. It is critical that access to this system is properly maintained to prevent inappropriate transactions from occurring, data from being lost, and to prevent PII from being released.

Condition:

The University uses the Banner system in order to record and retain employee, student, and financial information. In the current year, we noted that the University had effective procedures to maintain appropriate access for the employees involving a change when the change in system access is directly related to a documented change within the human resources system (HR); however, we noted that there is not a documented process to review individual employee's current access for all users above read-only and whether the privileges/roles are in line with their job responsibilities and Least Privileges principle.

Cause:

We note that the University has a set of procedures that involve the data custodian review of their department's current access in Banner; however, the review is not documented as to the frequency, the level of the review, or response to inappropriate privileges/roles.

Effect:

We note that if an active user has privileges/roles that are obtained outside of a change in HR or if the HR controls missed an individual, there is not a regular formal process to ensure that user access is limited to the Least Privileges principle.

Recommendation:

We recommend that the University ensure each data custodian review privileges/roles for each user with above read-only access with a minimum frequency of annually. This review should include documentation of completion of the review and should include the reviewer's considerations. The review should include evidence to support whether any access identified as unnecessary or inappropriate was utilized.

Management's Response:

The University identified this deficiency over a year ago and implemented automated safeguards/reports for data custodians to review and developed procedures, but recognizes that the existing process and reviews may need to be more formally documented. The University's IT Compliance Officer and designated Chief Privacy Officer will work with the appropriate data custodians to establish and document a process that will ensure regular review of privileges/roles for each user including its frequency, reviewer's considerations, anomalies noted, rectification, and will create a central repository to maintain the documented reviews for the entire University system by June 30, 2019.

Schedule of Other Findings
As Required by New Mexico State Statute 12-6-5, NMSA 1978
Year ended June 30, 2018

2018-003 Budget Compliance – Finding that does not rise to the level of a significant deficiency.

Criteria:

2.2.2.10 R(1)(a), requires that a finding be reported if actual expenditures exceeds budgeted expenditures at the legal level of budgetary control.

Condition:

An annual budget is set by the University to allocate amounts of appropriate expenses and expenditures for the University and that it is considered to be the legal budget authority within the University. The University has a process in place to monitor expenditures recorded throughout the period, however this process does not include full consideration of accounting entities recorded after the end of the fiscal year.

We noted in our review of the financial statements and budget schedules, that budget authority was exceeded in relation to the retirement of indebtedness budget line. On schedule 3a in the financial statements, the retirement of indebtedness actuals exceeded the revised budgeted amount by \$962,143.

Cause:

The University had set the original and revised budget per protocol; however, the excess spending on the retirement of indebtedness that resulted from issuance of the 2017 refunding bonds was not identified until after year end.

Effect:

Given the requirements of budgetary accounting that are set in order to allow governmental entities the appropriate transparency to the general public in amounts spent, we note that this is a finding under state audit rule. The amount overspent in the Retirement of Indebtedness is \$962,143.

Recommendation:

We recommend that the University review its spending policies and procedures in order to ensure that actual spending remains within the budget authority approved.

Management's Response:

The budget overage was detected during the fiscal year end process before the books were closed. However, no adjustments can be made to the University's approved budget after the May 1 Higher Education Department deadline. In the future, closer reviews will be conducted in March with adequate time to make the Budget Adjustment Requests with the state. Supplementary reviews will also be conducted by the Controller's office as an additional control procedure. As this was a result of accounting for a new bond issuance, extensive scrutiny will be conducted on any future bond issuances. We modified the oversight model for capital financing unit. We will document our procedures for the related bond accounting process to include the appropriate budgets.

Schedule of Other Findings
As Required by New Mexico State Statute 12-6-5, NMSA 1978
Year ended June 30, 2018

2018-004 Arrowhead Center, Inc. determination of accounting for majority equity interest – Finding that does not rise to the level of a significant deficiency.

Criteria:

GASBC 2100 establishes standards for defining the financial reporting entity and requires governments to consider whether legally separate organizations qualify as component units.

Condition:

During fiscal year 2018 Arrowhead Center, Inc. (Arrowhead) became the holder of the majority equity interest with a \$1,000 investment in a separate legal entity. Becoming the majority equity interest required Arrowhead to determine the appropriate accounting for that separate legal entity in accordance with U.S. generally accepted accounting principles. This would include consideration of whether the entity qualified as a component unit and/or an investment. Management did not have a process in place to consider and document applicable accounting literature in determination of the accounting for this new transaction.

Cause:

Management did not fully consider all applicable accounting principles related to Arrowhead's accounting for the separate legal entity, including whether the separate legal entity qualified as a component unit and/or an investment. In addition they did not consider the appropriate method of accounting for the investment (equity method).

Effect:

This lack of fully considering the applicable accounting principles could have resulted in a component unit being inappropriately excluded from the Arrowhead reporting entity.

Recommendation:

We recommend management consider all relevant accounting principles when entering into new transactions to ensure that the transaction and subsequent measurement/consideration of that transaction is reflected in the financial statements in accordance with U.S. generally accepted accounting principles. We further recommend that this consideration and management's conclusions be documented.

Management's Response:

Management will implement a documented process for new and/or significant transactions that ensures consideration of all relevant accounting principles. This process will include Arrowhead Center Inc. management and the University accounting personnel for a consistent and documented determination on accounting and reporting treatment of such transactions. This process will be in place by June 30, 2019.

Schedule of Other Findings
As Required by New Mexico State Statute 12-6-5, NMSA 1978
Year ended June 30, 2018

2018-005 Federal Direct Loans Disbursements to and on Behalf of Students Notification Letters – Finding that does not rise to the level of a Uniform Guidance other matter or a significant deficiency

Criteria:

34 SFR section 668.165 (a)(6)(i) requires institutions to make this notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at this institution with Direct Loan.

Condition:

As a participant in the Federal Direct Student Loans program, the University is responsible for informing the students that receive Federal Direct Student Loans of the date and amount of disbursement, right to cancel all or a portion of that loan or loan disbursement, and procedures and time by which to cancel.

In reviewing the loan disbursement notification letters, we noted in the beginning of the fall semester that notification letters were not sent to students. This resulted in approximately 13% of the total Federal Direct Student Loan disbursements not being sent to student to notify them of their right to cancel and the procedures and time by which to cancel associated with that individual loan disbursement.

Cause:

This issue appears to be the result of an IT system error whereby the loan notification process was not set to be turned on in order to trigger the system to produce the disbursement letters at the time of the disbursement. The University personnel did not identify the issue until after the time frame to send the disbursement letters expired.

Effect:

We noted the following:

- Date and amount of disbursement: the amount and date was posted to the student's account and available for the students to see indicating they were notified of the date and amount of each disbursement.
- Right to cancel all or a portion of that loan or loan disbursement: none of the students who were effected were first time borrowers. Each student impacted had been notified of their rights to cancel in association with earlier disbursements.
- Procedures and time by which to cancel: none of the students who were effected were first time borrowers. Each student impacted had been notified of the process to cancel in association with earlier disbursements.
- The issue with the IT system was remediated and did not recur in the following semester.

Recommendation:

We recommend that the system loan notification process be activated at the same time as the loan disbursement process to eliminate the possibility of reoccurrence. Management has already revised the activation process to ensure these processes are activated concurrently for each academic year.

Management's Response:

The loan disbursement notification is a standalone process that has to be turned on each academic year, after which it automatically runs each day until it is turned off. There was a delay in turning on the notification, so continuing students were not notified, however no incoming freshmen were affected. To mitigate against this, the University Financial Aid and Scholarship Services Office have:

- modified the disbursement chain to include the loan disbursement notification,
- implemented a daily reconciliation of loan disbursement and notification letters. We compare the number of letters generated with the daily loan reconciliation file and the result is recorded on the loan reconciliation file.

**Summary Schedule of Prior Audit Findings
Year ended June 30, 2018**

**Section II - Financial Statement Findings Relating to the Financial Statements Reported in
Accordance with Government Auditing Standards**

None

Section III - Federal Awards Findings and Questioned Costs

None

An exit conference was held on October 29, 2018, to discuss the current audit report and auditors' comments. In attendance were the following individuals:

Representing the Board of Regents for New Mexico State University

Debra P. Hicks	Chair
Cindy Seipel	Audit Committee Community Member
Shari Jones	Audit Committee Community Member

Representing New Mexico State University

John Floros	President
Andrew J. Burke	Senior Vice President for Administration and Finance
Norma Noel	University Controller
Kim Rumford	Chief Budget Officer
Ermelinda Quintela	Chief Audit Officer
Lizbeth G. Ellis	Chief Legal Affairs Officer
Ross Justus	Associate Controller
Carolina Munoz	Manager, Accounting and Finance
Damian Lopez	Audit Liaison
Adam Cavotta	Board of Regents Chief of Staff

Representing New Mexico State University Component Units

Randy Frye	Controller, NMSU Foundation, Inc.
Kathryn Hansen	CEO, Arrowhead Center Inc.
Mario Naverrete	Accountant, Senior

Representing KPMG LLP

John T. Kennedy	Lead Engagement Partner
Suzette Longfellow	Managing Director

The University's management prepared the Financial Statements. The University is responsible for the Financial Statements and its contents.