

OFFICIAL STATEMENT DATED JULY 18, 2018

\$6,200,000  
NMSU - DOÑA ANA COMMUNITY COLLEGE DISTRICT  
Doña Ana County, New Mexico  
General Obligation (Limited Tax) Bonds  
Series 2018

NEW ISSUE  
Book-Entry Only

Moody's Rating: Aa2  
Bank Qualified

**PURPOSES** Proceeds of the Bonds will be used for the purpose of (i) erecting, furnishing, constructing, purchasing, remodeling and equipping buildings and utility facilities, exclusive of stadiums; (ii) making other real property improvements or purchasing grounds; (iii) purchasing and installing computer hardware and software; and (iv) paying costs of issuance.

**THE BONDS** The Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through a DTC Participant ("Direct Participant"). Beneficial owners of the Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Interest on the Bonds is payable on each February 1 and August 1, commencing February 1, 2019. As long as DTC or its nominee is the registered owner of the Bonds, reference in this Official Statement to registered owner will mean Cede & Co., and payments of principal of and interest on the Bonds will be made directly to DTC by the Paying Agent. Disbursements of such payments to Direct Participants is the responsibility of DTC. See "The Bonds - Book-Entry Only System". BOKF, NA is the Registrar and Paying Agent for the Bonds.

**OPTIONAL REDEMPTION** The Series 2018 Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS".

**SECURITY** The Bonds are general obligations of the Doña Ana Community College District (the "District"), Doña Ana County, New Mexico payable solely out of general (ad valorem) taxes which shall be levied against all taxable property in the College District in an amount not to exceed five mills; however this limit may be exceeded if it is necessary to levy more than five mills to pay principal and interest on the Bonds if the valuation of property within the District declines to a level lower than the valuation of such property in the year in which the Bonds were issued.

**BOND AND TAX OPINION** In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuous compliance with certain covenants in the documents relating to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds (a) is excludable from gross income of the recipients thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and (b) is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended, for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is further of the opinion based on existing laws of the State of New Mexico as enacted and construed that interest on the Bonds is exempt from all taxation by the State of New Mexico or any political subdivision thereof. (See "TAX EXEMPTION" herein.)

**DELIVERY** When, as and if issued, through DTC's facilities, on or about August 23, 2018.

**DATED DATE** Date of delivery

**DUE DATE** August 1, as shown below:

Years Maturing (August 1)	Principal	Interest Rate	Yield or Price	Cusip # 257578	Years Maturing (August 1)	Principal	Interest Rate	Yield or Price	Cusip # 257578
2019	\$950,000	5.000%	103.202	257578 EM2	2026	\$420,000	3.000%	102.844 C	257578 EU4
2020	600,000	5.000%	106.266	257578 EN0	2027	420,000	3.000%	102.204 C	257578 EV2
2021	420,000	5.000%	108.968	257578 EP5	2028	420,000	3.000%	101.568 C	257578 EWO
2022	420,000	5.000%	111.307	257578 EQ3	2029	420,000	3.000%	100.937 C	257578 EX8
2023	420,000	5.000%	113.536	257578 ER1	2030	420,000	3.000%	100.310 C	257578 EY6
2024	420,000	5.000%	115.206	257578 ES9	2031	450,000	3.000%	99.467	257578 EZ3
2025	420,000	5.000%	116.526	257578 ET7					

**NMSU - DOÑA ANA COMMUNITY COLLEGE DISTRICT**  
Doña Ana County, New Mexico  
2800 Sonoma Ranch Blvd.  
Las Cruces, New Mexico 88011  
(575) 527-7500

**GOVERNING BOARD**

Las Cruces School Board

Gadsden School Board

Hatch Valley School Board

Maria A. Flores  
Ed Frank  
Ray Jaramillo  
Terrie Dallman  
Maury Castro

Daniel Castillo  
Daniel Estupiñan  
Laura Salazar Flores  
Maria Saenz  
Jennifer Viramontes

Greg Mitchell  
Elva Garay  
Christopher Montez  
Lupe Castillo  
Paul Dulin

**COLLEGE ADMINISTRATION**

President  
Vice President for Business and Finance

Dr. Renay Scott  
Kelly Brooks

**FINANCIAL ADVISOR**

RBC Capital Markets, LLC  
6301 Uptown Boulevard N.E. Suite 110  
Albuquerque, New Mexico 87110  
(505) 872-5999

**BOND COUNSEL**

Modrall Sperling, Roehl, Harris & Sisk, P.A.  
P.O. Box 2168  
Albuquerque, New Mexico 87103  
(505) 848-1800

**PAYING AGENT/REGISTRAR**

BOKF, NA  
Albuquerque, New Mexico

## A Few Words about the Official Statement

Official Statements for municipal securities issues – like this one – contain the only “official” information about a particular issue of municipal securities. This Official Statement is not an offer to sell or solicitation of an offer to buy Bonds in any jurisdiction where it is unlawful to make such offer, solicitation or sale and no unlawful offer, solicitation or sale of the Bonds may occur through this Official Statement or otherwise. This Official Statement is not a contract and provides no investment advice. Investors should consult their advisors and legal counsel with their questions about this Official Statement, the Bonds, or anything else related to this issue.

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### MARKET STABILIZATION

*In connection with this Official Statement, the initial purchaser may over-allot or effect transactions which stabilize and maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. The initial purchaser is not obligated to do this and is free to discontinue it at any time.*

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The estimates, forecasts, projections, and opinions in this Official Statement are not hard facts, and no one, including the District, guarantees them.

The information set forth or included in this Official Statement has been provided by the District and from other sources believed by the District to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement, nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the District described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

Any part of this Official Statement may change at any time, without prior notice. In addition, important information about the District and other relevant matters may change after the date of this Official Statement.

All document summaries are just that, they are neither complete, nor definitive and they may omit relevant information. Such documents are qualified in their entirety to the complete documents. Any investor who wishes to review the full text of documents may request them at no cost from the District or the Municipal Advisor as follows:

#### District

Doña Ana Community College  
2800 Sonoma Ranch Blvd.  
Las Cruces, New Mexico 88011  
Attn: Kelly Brooks

#### Municipal Advisor

RBC Capital Markets, LLC  
6301 Uptown Blvd. NE, Suite 110  
Albuquerque, NM 87110  
Attn: Erik Harrigan

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**\$6,200,000**  
**NMSU - Doña Ana Community College District**  
**Doña Ana County, New Mexico**  
**General Obligation (Limited Tax) Bonds**  
**Series 2018**

## **Introduction**

Thank you for your interest in learning more about the \$6,200,000 NMSU - Doña Ana Community College District General Obligation (Limited Tax) Bonds, Series 2018 (the "Bonds"). This Official Statement will tell you about the Bonds, their security, the District, and the risks involved in an investment in the Bonds.

Although the Doña Ana Community College District (the "District") has approved this Official Statement, it does not intend this official statement to substitute for competent investment advice, tailored for your situation.

The material in this "INTRODUCTION" is qualified in its entirety by the more complete information contained throughout this Official Statement, and detachment or other uses of this "INTRODUCTION" without the entire Official Statement, including the cover page and the appendices, is unauthorized.

All terms used in this Official Statement that are not defined herein shall have the meanings given such terms in the resolution authorizing issuance of the Bonds adopted by the Governing Board of the District on May 3, 2018 (the "Bond Resolution").

The Bonds are fully registered bonds in denominations of \$5,000 or integral multiples thereof as described in the Bond Resolution. The Bonds mature and bear interest as presented on the cover page of this Official Statement.

## **The Issuer**

The District is a branch of New Mexico State University. The District is a political subdivision of the State organized for the purpose of operating and maintaining a post-secondary educational program for residents within Doña Ana County. The District's boundaries are coterminous with those of the Las Cruces Public School District, Gadsden Independent School District and Hatch Valley Public School District and encompasses approximately 3,000 square miles in the southern part of the State of New Mexico (the "State"). See "NEW MEXICO STATE UNIVERSITY - DOÑA ANA COMMUNITY COLLEGE."

## **Security**

The Bonds are general obligations of the District and will be paid from ad valorem taxes that are levied against all taxable property within the District in an amount not to exceed five mills. This limit, however, may be exceeded if it is necessary to levy more than five mills to pay principal and interest on the bonds if the valuation of property within the District declines to a lower level than the valuation of such property in which the Bonds were issued. Neither the State, nor the County has any responsibility to pay the debt service on the Bonds.

## **Limited Role of Auditors**

The District, as a branch of New Mexico State University, is included as a component unit under the New Mexico State University audit. Except for the audited financial statements of New Mexico State University for the year ended June 30, 2017, contained in Exhibit B, this Official Statement presents excerpts from unaudited financial and statistical information from District records and other sources.

## **Purpose**

Proceeds of the Bonds will be used for (i) erecting, furnishing, constructing, purchasing, remodeling, and equipping buildings and utility facilities, exclusive of stadiums; (ii) making other real property improvements or purchasing grounds; (iii) purchasing and installing computer hardware and software; and (iv) paying costs of issuance. The Bonds represent

the second series of \$15,000,000 in General Obligation Bonds authorized by voters of the District in an election held on February 3, 2015, and issued pursuant to the Bond Resolution.

### Selected Debt Ratios

2017 Assessed Valuation	\$ 4,376,155,320
2017 Est. Actual Valuation <sup>(1)</sup>	\$ 14,742,707,628
District General Obligation Debt Outstanding (including the Bonds) <sup>(2)</sup>	\$16,925,000
District Net General Obligation Debt	\$15,359,917
Estimated Direct & Overlapping General Obligation Debt	\$226,683,728
District Net Debt as a Percentage of	
Assessed Valuation	0.25%
Estimated Actual Valuation	0.07%
Direct and Overlapping Debt as a Percentage of	
Assessed Valuation	5.18%
Estimated Actual Valuation	1.54%
Estimated Population	180,000
District Net Debt Per Capita	\$59.58
Direct and Overlapping Debt Per Capita	\$1,259.35

<sup>(1)</sup> Estimated actual valuation is computed by adding exemptions to the assessed valuation and multiplying the result by three.

<sup>(2)</sup> The District has elected to optionally redeem \$325,000 of the principal amount outstanding of the 2021 maturity of the 2009 Bonds on the August 1, 2018 call date. The District General Obligation Debt Outstanding reflects the principal coming due net of the \$325,000 in principal to be redeemed on August 1, 2018

## The Bonds

### Description

The Bonds are general obligation bonds to be issued by the District in the total principal amount of \$6,200,000 and are dated their date of delivery. The Bonds are issued as fully registered bonds in denominations of \$5,000 or integral multiples thereof, bearing interest from their date to maturity at the rates specified on the cover page of this Official Statement payable semiannually on February 1 and August 1 each year, commencing on February 1, 2019, and maturing serially, as set forth on the cover page of this Official Statement.

### General Terms

All Bonds are fully registered in denominations of \$5,000 or integral multiples thereof in conformance with the Constitution and laws of the State and pursuant to the Bond Resolution. Bond payments will go to The Depository Trust Company ("DTC"), and DTC will then remit the payments to its participants for disbursement to the beneficial owners of the Bonds. See "**Book-Entry Only System**" in Exhibit C.

## **Authorization**

The Bonds are being issued pursuant to the Board's powers under Section 21-2A-6 through Section 21-2A-7, NMSA 1978, as amended and supplemented, the Constitution and other laws of the State, and the Bond Resolution. See "New Mexico State University – Doña Ana Community College District Governing Board and Administration" herein.

## **Payment of Principal and Interest; Record Date**

The principal of the Bonds is payable to the registered owners of the Bonds at the principal office of the Paying Agent. Interest on the Bonds is payable by check or draft of the Paying Agent mailed on or before each interest payment date to the registered owners of the Bonds as of the close of business on the fifteenth business day of the month preceding the interest payment date (the "Regular Record Date") at the addresses appearing in the registration books maintained by the Registrar, as defined herein; but any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner thereof at the close of business on the Regular Record Date and shall be payable to the person who is the registered owner thereof at the close of business on the date to be fixed by the Registrar whenever moneys become available for the payment of defaulted interest (the "Special Record Date").

## **Bond Registrar and Paying Agent**

BOKF, NA, will serve as the bond registrar (the "Registrar") and paying agent (the "Paying Agent") for the Bonds.

## **Optional Prior Redemption**

Bonds maturing on and after August 1, 2026, are subject to prior redemption at the District's option in one or more units of \$5,000 on and after August 1, 2025, in whole or in part, at any time in such order of maturities as the District may determine for the principal amount of each \$5,000 unit of principal so redeemed and accrued interest to the redemption date. If the District redeems only part of the Bonds of a given maturity, the Registrar will select those Bonds by lot.

## **Redemption Notices**

Notice of prior redemption shall be given by the Registrar by sending a copy of such notice by first-class, postage prepaid mail, not more than 60 days and not less than 30 days prior to the redemption date as shown on the registration books as of the date of selection of the bonds to be redeemed. Failure to give such notice by mailing to the registered owner of any Bond, or any defect therein, shall not affect the validity of the proceedings for the redemption of any of the Bonds where notice was properly given.

While the Bonds remain under the Book-Entry Only System, the Paying Agent/Registrar will send notices only to DTC. Any problems from DTC through its system and on to the Bond investors will not affect the validity of the Bond redemption or any other action based on the Paying Agent/Registrar's notice. Bond investors might consider arranging to receive redemption notices or other communications from DTC which affect them, including notice of interest payments. See "**Book-Entry Only System**" in Exhibit C.

If the Paying Agent/Registrar gives proper redemption notice and the Paying Agent/Registrar holds money to pay the redemption price of the affected Bonds, then on the redemption date the Bonds called for redemption will become due and payable. Thereafter, no interest will accrue on those Bonds and their owners' only right will be to receive payment of the redemption price upon surrender of those Bonds to the Registrar.

## **Transfers and Exchanges**

Bond owners may surrender and transfer their Bonds, in person or by duly authorized attorney, at the office of the Paying Agent/Registrar. They must complete an approved transfer form and pay any taxes or governmental charges that apply to the transfer. As explained in Exhibit C, DTC is the securities depository for the Bonds and it will be the sole registered owner of the Bonds.



## **Tax Covenants**

In the Bond Resolution, the District covenants that it will restrict the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). The President, Vice-President, Secretary, and any other officer of the District having responsibility for the issuance of the Bonds shall give an appropriate certificate of the District for inclusion in the transcript of proceedings for the Bonds, setting forth the reasonable expectations of the District regarding the amount and use of all the proceeds of the Bonds, the facts, circumstances and estimates relevant to the tax treatment of interest on the Bonds.

The District covenants that it (a) will take or cause to be taken such actions which may be required of it for the interest on the Bonds to be and remain excludable from gross income for federal income tax purposes and (b) will not take or permit to be taken any actions which would adversely affect that exclusion and that it, or persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the Bonds to the governmental purpose of the borrowing, (ii) restrict the yield, as required, on investment property acquired with those proceeds, (iii) make timely rebate payments, if required, to the federal government, (iv) maintain books and records and make calculations and reports, and (v) refrain from certain uses of proceeds; all in such manner and to the extent necessary to assure such exclusion of that interest under the Code. The President, Vice-President, Secretary, and other appropriate officers are authorized and directed to take any and all actions, make calculations and rebate payments, and make or give reports and certifications, as may be appropriate to assure such exclusion of that interest.

## **Qualified Tax-Exempt Obligations**

In the Bond Resolution, the District designated the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3)(B) of the Code.

## **Security and Remedies**

### **Security**

The Bonds are general obligations of the District payable from ad valorem taxes that may be levied against all taxable property within the District in an amount not to exceed five mills. This limit may be exceeded, however, if the valuation of property within the District declines to a level lower than the valuation of the property in the year in which the Bonds were issued. At the direction of the District, the Board of County Commissioners of Doña Ana County will levy upon all taxable property within the District a tax levy sufficient, together with other legally available revenues, to produce a sum equal to one year's interest on all bonds then outstanding, together with an amount sufficient to pay the principal on all bonds of the District as they mature. Such annual levy for debt service creates a statutory tax lien that can be enforced personally against the owner of the property and enforced by sale of the property. Neither the State, the County, nor NMSU have any responsibility to pay the debt service on the Bonds.

### **Limitations of Remedies**

There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal or interest on the Bonds. Consequently, remedies available to the owners of the Bonds may need to be enforced from year to year.

The enforceability of the rights and remedies of the owners of the Bonds and the obligations incurred by the District in issuing the Bond are subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; usual equity principles that may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial

discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

## Debt and Other Financial Obligations

### General Obligation Debt

The most recent assessed valuation of taxable property within the District is \$4,376,155,320 for the tax year 2017, as approved by the State of New Mexico Taxation and Revenue Department, Property Tax Division. The maximum general obligation indebtedness of the District may not exceed 3% of the assessed valuation or \$131,284,659.

After the Bonds are issued, the ratio of total outstanding general obligation (G/O) debt of the District to the 2017 Assessed Valuation will be no greater than 0.41% as summarized below:

2017 Assessed Valuation	\$ 4,376,155,320
2017 Estimated Actual Valuation <sup>(1)</sup>	14,742,707,628
Bonded Debt (including the Bonds) <sup>(2)</sup>	\$16,925,000
Less Debt Service Fund Balance <sup>(3)</sup>	\$ 1,565,083
NET DEBT	<u>\$15,359,917</u>
Ratio of Estimated Net Debt to 2017 Assessed Valuation	0.25%
Ratio of Estimated Net Debt to 2017 Estimated Actual Valuation	0.07%
Per Capita Net Bonded Debt	\$59.58
Est. Population	180,000

<sup>(1)</sup> Actual valuation is computed by adding exemptions to the assessed valuation and multiplying the result by three.

<sup>(2)</sup> The District has elected to optionally redeem \$325,000 of the principal amount outstanding of the 2021 maturity of the 2009 Bonds on the August 1, 2018 call date. The Bonded Debt reflects the principal coming due net of the \$325,000 in principal to be redeemed on August 1, 2018.

<sup>(3)</sup> Actual debt service cash balance as of June 30, 2018 was \$2,399,728 and does not include amounts available for the optional redemption of \$325,000 of the 2009 Bonds on August 1, 2018. Proceeds from the sale of the Hatch Learning Center to Hatch Public Schools will be applied to the redemption.

### Outstanding Debt

The District has never defaulted in the payment of any of its debt or other obligations. Listed below is the District's total outstanding general obligation debt after issuance of the Bonds.

Series	Original Amount Issued	Final Maturity	Principal Outstanding
2009	\$10,000,000	01-Aug-21	\$ 2,825,000 <sup>(1)</sup>
2011	10,000,000	01-Aug-24	3,600,000
2015	8,800,000	01-Aug-28	4,300,000
2018	<u>6,200,000</u>	01-Aug-31	<u>6,200,000</u>
	\$35,000,000		\$16,925,000

<sup>(1)</sup> The District has elected to optionally redeem \$325,000 of the principal amount outstanding of the 2021 maturity of the 2009 Bonds on the August 1, 2018 call date. The principal outstanding for the 2009 Bonds reflects the amount that will be outstanding after the redemption occurs.

### Debt Service Requirements to Maturity

The District schedules principal and interest payments at the time of the bond sales with constraints being general obligation debt capacity and expected property tax revenues computed at the desired tax rate. Below is a summary of

the currently scheduled principal and interest on the District's outstanding debt, as well as the proposed principal and interest payments on the Bonds.

Calendar Year	Present Requirements			Series 2018			Total Requirements <sup>(1)</sup>		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 1,800,000	\$ 381,000	\$ 2,181,000	-	-	-	\$1,800,000	\$ 381,000	\$ 2,181,000
2019	1,800,000	320,000	2,120,000	\$950,000	\$ 243,172	\$1,193,172	2,750,000	563,172	3,313,172
2020	1,600,000	254,000	1,854,000	600,000	211,500	811,500	2,200,000	465,500	2,665,500
2021	1,625,000 <sup>(1)</sup>	194,000	1,819,000	420,000	181,500	601,500	2,045,000	375,500	2,420,500
2022	800,000	133,000	933,000	420,000	160,500	580,500	1,220,000	293,500	1,513,500
2023	850,000	104,000	954,000	420,000	139,500	559,500	1,270,000	243,500	1,513,500
2024	850,000	73,000	923,000	420,000	118,500	538,500	1,270,000	191,500	1,461,500
2025	350,000	42,000	392,000	420,000	97,500	517,500	770,000	139,500	909,500
2026	350,000	31,500	381,500	420,000	76,500	496,500	770,000	108,000	878,000
2027	350,000	21,000	371,000	420,000	63,900	483,900	770,000	84,900	854,900
2028	350,000	10,500	360,500	420,000	51,300	471,300	770,000	61,800	831,800
2029	-	-	-	420,000	38,700	458,700	420,000	38,700	458,700
2030	-	-	-	420,000	26,100	446,100	420,000	26,100	446,100
2031	-	-	-	450,000	13,500	463,500	450,000	13,500	463,500
Total	\$10,725,000	\$1,564,000	\$12,289,000	\$6,200,000	\$1,422,172	\$7,622,172	\$16,925,000	\$2,986,172	\$19,911,172

<sup>(1)</sup> The District has elected to optionally redeem \$325,000 of the Series 2009 Bonds maturing on August 1, 2021 on August 1, 2018. The principal requirement for calendar year 2021 reflects the principal coming due net of the \$325,000 principal amount to be redeemed on August 1, 2018.

### Statement of Estimated Direct and Overlapping Debt

The following is a calculation that is useful to investors in assessing the debt load and per capita debt of the District payable from property taxes. In addition to outstanding debt of the District, the calculation takes into account debt attributable to taxing entities that is the responsibility of taxpayers within the boundaries of the District. Revenue bonds are payable from sources other than property taxes. The amount of outstanding general obligation bonds shown for the District in the following table includes the Bonds.

	2017 Assessed Valuation	G/O Debt Outstanding	Percent Applicable	Amount
State of New Mexico	\$57,173,515,395 <sup>(1)</sup>	\$475,735,000	7.65%	\$ 36,393,728
Doña Ana County	4,323,278,362	5,890,000	100.00%	5,890,000
City of Las Cruces	2,293,290,617	-	100.00%	-
Las Cruces Schools	3,270,442,305	123,185,000	100.00%	123,185,000
Hatch Valley Schools	82,246,775	3,835,000	100.00%	3,835,000
Gadsden Schools	958,924,612	46,655,000	100.00%	46,655,000
Otero County	1,168,080,047	-	4.60%	-
City of Sunland Park	249,589,204	-	100.00%	-
Town of Mesilla	64,541,628	-	100.00%	-
Town of Hatch	18,352,241	-	100.00%	-
Dona Aña Community College	4,376,155,320	16,925,000 <sup>(2)</sup>	100.00%	16,925,000
<b>Total Direct &amp; Overlapping Debt</b>				<b>\$232,883,728</b>

Ratio of Direct & Overlapping Debt to 2017 Assessed Valuation	5.32%
Ratio of Direct & Overlapping Debt to 2017 Estimated Actual Valuation	1.58%
Per Capita Direct & Overlapping Debt	\$1,293.80

Source: Doña Ana County & Otero County Assessors' Offices and individual entities

<sup>(1)</sup> State of New Mexico 2017 initial assessed valuation.

<sup>(2)</sup> The District has elected to optionally redeem \$325,000 of the Series 2009 Bonds maturing on August 1, 2021 on August 1, 2018. The principal requirement for calendar year 2021 reflects the principal coming due net of the \$325,000 principal amount to be redeemed on August 1, 2018.

## Tax Base

### Analysis of Assessed Valuation

Assessed Valuation of property within the District is calculated as follows: of the total estimated actual valuation of all taxable property in the District, 33 1/3 % is legally subject to *ad valorem* taxes. After deduction of certain personal exemptions, the 2017 Assessed Valuation is \$4,376,155,320. The actual value of personal property within the District (see "Assessments" below) is determined by the County Assessor. The actual value of certain corporate property within the District (see "Centrally Assessed" below) is determined by the State of New Mexico Taxation and Revenue Department, Property Tax Division. The analysis of Assessed Valuation is as follows:

	2013	2014	2015	2016	2017
<b>Assessments</b>					
Value of Land	\$1,090,423,477	\$1,099,613,946	\$1,117,435,873	\$1,286,089,468	\$1,309,185,857
Improvements	2,706,176,993	2,755,842,202	2,861,228,528	2,968,765,517	3,072,511,236
Personal Property	103,990,307	102,585,512	105,479,664	108,276,090	110,815,192
Mobile Homes	94,965,336	96,190,499	96,564,303	96,453,489	98,781,872
Livestock	22,310,940	25,309,013	27,478,844	29,607,361	23,375,448
Assessor's Taxable Value	<u>\$4,017,867,053</u>	<u>\$4,079,541,172</u>	<u>\$4,208,187,212</u>	<u>\$4,489,191,925</u>	<u>\$4,614,669,604</u>
<b>Less Exemptions</b>					
Head of Family	\$ 58,921,748	\$ 58,633,238	\$ 58,935,947	\$ 60,355,776	\$ 59,931,915
Veterans	33,263,128	63,665,656	66,045,070	70,850,099	75,104,145
Other	244,670,031	245,087,480	250,246,099	412,129,633	403,044,496
Total	<u>\$336,854,907</u>	<u>\$367,386,374</u>	<u>\$375,227,116</u>	<u>\$543,335,508</u>	<u>\$538,080,556</u>
Assessor's Net Taxable Value	\$3,681,012,146	\$3,712,154,798	\$3,832,960,096	\$3,945,856,417	\$4,075,589,049
Centrally Assessed	259,989,668	316,962,198	327,633,987	297,706,116	299,566,271
Total Net Taxable Value	<u>\$3,941,001,814</u>	<u>\$4,029,116,996</u>	<u>\$4,160,594,083</u>	<u>\$4,243,562,533</u>	<u>\$4,376,155,320</u>
Residential	\$2,657,536,469	\$2,680,553,625	\$2,801,486,739	\$2,897,096,923	\$2,998,803,460
Non-Residential	1,283,465,345	1,348,563,371	1,359,107,344	1,346,465,610	1,377,351,860
Total	<u>\$3,941,001,814</u>	<u>\$4,029,116,996</u>	<u>\$4,160,594,083</u>	<u>\$4,243,562,533</u>	<u>\$4,376,155,320</u>

Source: Doña Ana County & Otero County Assessors' Offices

### History of Assessed Valuation

Listed below is a 5-year history of assessed valuation for the District, the City of Las Cruces and Doña Ana County. Over the past five years, the tax base of the District has increased 11%, the City has decreased 25%, and Doña Ana County has increased 11%.

Tax Year	Dona Ana Community College	City of Las Cruces	Doña Ana County
2017	\$4,376,155,320	\$2,293,290,617	\$4,323,278,362
2016	4,243,562,533	2,215,682,442	4,193,488,596
2015	4,160,594,083	2,165,733,246	4,106,398,168
2014	4,029,756,636	2,102,950,157	3,975,407,290
2013	3,943,965,782	3,041,253,323	3,891,775,511

Source: New Mexico Department of Finance and Administration

## Major Taxpayers

The following is a list of the ten largest taxpayers in the District, along with the 2017 Assessed Valuation for each. Property taxes are current for these taxpayers. This table is useful in assessing the concentration risk of the tax base. The ten largest taxpayers' assessed valuation is 6.85% of the total assessed valuation.

<u>Name</u>	<u>Business</u>	<u>2017 Assessed Valuation</u>	<u>% of Assessed Valuation</u>
El Paso	Electric Utility	\$ 89,376,023	2.04%
Public Service Company of NM	Electric Utility	52,581,819	1.20%
Union Pacific	Railroad	46,372,346	1.06%
BN&SF	Railroad	25,819,796	0.59%
Las Cruces Medical Center	Healthcare	18,196,667	0.42%
Memorial Medical Center	Healthcare	17,510,231	0.40%
El Paso Natural Gas	Gas Utility	12,974,066	0.30%
Qwest	Telecommunication	12,957,462	0.30%
Las Uvas Valley Dairies	Dairy	12,120,655	0.28%
Mesilla Valley Mall	Retail	11,749,599	0.27%
<b>Total</b>		<b>\$299,658,664</b>	<b>6.85%</b>
2017 Doña Ana Community College Assessed Valuation		\$4,376,155,320	100.00%

Source: Doña Ana County Assessor's Office

## Tax Rates

Article VIII, Section 2, of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within the District to \$20.00 per \$1,000 of assessed value. This limitation does not apply to levies for public debt and levies for additional taxes if authorized at an election by a majority of the qualified voters of the jurisdiction voting on the question. The following table summarizes the tax situation on residential property for 2017 Fiscal Year and the previous four years. At the election on February 3, 2015, voters approved increasing the operating mill levy from 1.00 to 1.25. Voters also approved reducing the debt service mill levy from 1.00 to 0.75. The District expects no additional change in the level of its taxes in the foreseeable future but is unable to predict what overlapping entities might do. A high level of taxation may impact the District's ability to repay bonds.

### Within 20 Mill Limit for General Purposes

	2013	2014	2015	2016	2017
State of New Mexico	\$ 0.000	\$ 0.000	\$ 0.000	\$ 0.000	\$ 0.000
Doña Ana County	9.103	9.170	9.153	9.043	9.055
Doña Ana Community College	1.000	1.000	1.248	1.250	1.250
City of Las Cruces	4.757	4.801	4.806	4.730	4.732
Las Cruces Schools	0.337	0.340	0.340	0.336	0.337
<b>Total</b>	<b>\$15.197</b>	<b>\$15.311</b>	<b>\$15.547</b>	<b>\$15.359</b>	<b>\$15.374</b>

### Over 20 Mill Limit – Interest, Principal, Judgment, etc.

	2013	2014	2015	2016	2017
State of New Mexico	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360
Doña Ana County	0.099	0.085	0.114	0.109	0.108
Doña Ana Community College	1.000	1.000	0.750	0.750	0.350
City of Las Cruces*	2.000	2.000	2.000	1.969	1.970
Las Cruces Schools	9.514	9.513	9.512	9.584	9.581
<b>Total</b>	<b>\$13.973</b>	<b>\$13.958</b>	<b>\$13.736</b>	<b>\$13.772</b>	<b>\$13.369</b>

### Total Levy

	2013	2014	2015	2016	2017
State of New Mexico	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360
Doña Ana County	9.202	9.255	9.267	9.152	9.163
Doña Ana Community College	2.000	2.000	1.998	2.000	1.600
City of Las Cruces	6.757	6.801	6.806	6.699	6.702
Las Cruces Schools	9.851	9.853	9.852	9.920	9.918
<b>Total Residential in Las Cruces</b>	<b>\$29.170</b>	<b>\$29.269</b>	<b>\$29.283</b>	<b>\$29.131</b>	<b>\$28.743</b>
<b>Total Non-Residential in Las Cruces</b>	<b>\$32.443</b>	<b>\$32.428</b>	<b>\$32.457</b>	<b>\$32.555</b>	<b>\$32.147</b>
<b>Total Residential for Town of Mesilla</b>	<b>\$23.473</b>	<b>\$23.523</b>	<b>\$23.534</b>	<b>\$23.478</b>	<b>\$23.077</b>
<b>Total Non-Residential for Town of Mesilla</b>	<b>\$27.663</b>	<b>\$27.648</b>	<b>\$27.671</b>	<b>\$27.775</b>	<b>\$27.367</b>
<b>Total Residential for Town of Hatch</b>	<b>\$30.918</b>	<b>\$30.979</b>	<b>\$30.579</b>	<b>\$30.190</b>	<b>\$30.110</b>
<b>Total Non-Residential for Town of Hatch</b>	<b>\$33.794</b>	<b>\$33.781</b>	<b>\$33.658</b>	<b>\$33.668</b>	<b>\$33.233</b>
<b>Total Residential for City of Sunland Park</b>	<b>\$36.038</b>	<b>\$35.995</b>	<b>\$35.866</b>	<b>\$35.582</b>	<b>\$35.074</b>
<b>Total Non-Residential for City of Sunland Park</b>	<b>\$39.785</b>	<b>\$39.759</b>	<b>\$39.785</b>	<b>\$39.771</b>	<b>\$39.378</b>

Source: New Mexico Department of Finance & Administration

\* Reflects Las Cruces Flood Control Tax Rate.

## Taxation

The following table summarizes the historical tax levies imposed by the District on property within the District since the 2013 tax year (2012-13 Fiscal Year).

Tax Year	Operational			Total	
	Residential	Non-Residential	Debt Service	Residential	Non-Residential
2017	\$1.250	\$1.250	\$0.350	\$1.600	\$1.600
2016	1.250	1.250	0.750	2.000	2.000
2015	1.250	1.250	0.750	1.998	2.000
2014	1.000	1.000	1.000	2.000	2.000
2013	1.000	1.000	1.000	2.000	2.000

Source: New Mexico Department of Finance & Administration

### Yield Control Limitation

State law limits property tax increases from the prior property tax year. Specifically, no taxing entity may set a rate or impose a tax (excluding oil and gas production ad valorem and oil and gas production equipment ad valorem taxes) or assessment that will produce revenues that exceed the prior year's tax revenues from residential and non-residential property multiplied by a "growth control factor." The growth control factor is the percentage equal to the sum of (a) "percent change I" plus (b) the prior property tax year's total taxable property value plus "net new value", as defined by Statute, divided by such prior property tax year's total taxable property value, but if that percentage is less than 100%, then the growth control factor is (a) "percent change I" plus (b) 100%. "Percent change I" is based upon the annual implicit price deflator index for state and local government purchases of goods and services (as published in the United States Department of Commerce monthly publication entitled "Survey of Current Business," or any successor publication) and is a percent (not to exceed 5%) that is derived by dividing the increase in the prior calendar year (unless there was a decrease, in which case zero is used) by the index for such calendar year next preceding the prior calendar year. *The growth control factor applies to authorized operating levies and to any capital improvements levies, but does not apply to levies for paying principal and interest on public general obligation debt.*

### Developments Limiting Residential Property Tax Increases

In an effort to limit large annual increases in residential property taxes in some areas of the State (particularly the Santa Fe and Taos areas, which have experienced large increases in residential property values), an amendment to the uniformity clause (Article VIII, Section 1) of the New Mexico Constitution was proposed during the 1997 Legislative Session. The amendment was submitted to voters of the State at the general election held on November 3, 1998, and was approved by a wide margin.

The amendment directs the Legislature to provide for valuation of residential property in a manner that limits annual increases in valuation. The limitation may be applied to classes of residential property taxpayers based on occupancy, age, or income. Further, the limitations may be authorized statewide or at the option of a local jurisdiction and may include conditions for applying the limitations.

Bills implementing the constitutional amendment were enacted in 2001 and were codified as Sections 7-36-21.2 NMSA 1978 and 7-36-21.3 NMSA 1978.

Section 7-36-21.2 NMSA 1978 establishes a statewide limitation on residential property valuation increases beginning in tax year 2001. Annual valuation increases are limited to 3% over the prior year's valuation or 6.1% over the valuation from two years prior. Subject to certain exceptions, these limitations do not apply to the following:

1. To property that is being valued for the first time;
2. To physical improvements made to the property in the preceding year;
3. When the property is transferred to a person other than a spouse, or a child who occupies the property as his principal residence and who qualifies for the head of household exemption on the property under the Property Tax Code;
4. When a change occurs in the zoning or use of the property; and
5. To property that is subject to the valuation limitations under Section 7-36-21.3 NMSA 1978.

The Statutory Valuation Cap on Residential Increases was challenged in a number of venues. In one venue, Paragraph 3 of Section 7-36-21.2, NMSA 1978, was declared unconstitutional under the New Mexico Constitution in the case of *Dzur vs. Bernalillo County Protests Board*, No. CV-2008-12410, filed in Second Judicial District Court on August 12, 2009. The Second Judicial District Court held that the substantially higher increase allowed upon sale of a residential property over similar residential properties protected by the 3% annual valuation increase violated the uniformity clause. Another case in the Second Judicial District, *Wang vs. Bernalillo County Assessor*, No. CV-2007-10109, reached a similar holding. Subsequently, in June 2014, The New Mexico Supreme Court unanimously declared the Statutory Valuation Cap on Residential Increases to be constitutional, both under the New Mexico State Constitution and the United States' Constitution. *Zhao v. Montoya*, 2014-NMSC-025, ¶ 46. The New Mexico Supreme Court's decision came on the heels of a United States' Supreme Court decisions, whereby the petitioner challenged the constitutionality of a California statute—whose language was similar to the New Mexico statute—that imposed valuation caps on residential increases for certain acquired properties. In ruling against the petitioners, the Court determined such statutes are constitutional on the basis that they are rationally related to a legitimate government interest. This interest rests in both fostering neighborhood preservation and stability and protecting the reliance interests of existing homeowners. *Nordinger v. Hahn*, 505 U.S. 1, 14 (1992). In the event of further legislative actions—including up to a constitutional amendment disallowing acquisition increases—or court actions reversing their previous decisions, such actions could have a material impact on the valuation of residential property.

Section 7-36-21.3 NMSA 1978 places a limitation on the increase in value for property taxation purposes for single-family dwellings occupied by low-income owners who are 65 years of age or older or who are disabled. The statute fixes the valuation of the property to the valuation in the year that the owner turned 65 or became disabled. The Section 7-36-21.3 limitation does not apply:

1. To property that is being valued for the first time;
2. To a change in valuation resulting from physical improvements made to the property in the preceding year; and
3. To a change in valuation resulting from a change in the zoning or permitted use of the property in the preceding year.

### Tax Collections on Locally Assessed and Centrally Assessed Property

General (*ad valorem*) taxes for all units of government are collected by the county treasurer and distributed monthly to the various political subdivisions to which they are due.

Property taxes are due in two installments. The first half installment is due on November 10 and becomes delinquent on December 10. The second half installment is due on April 10 and becomes delinquent on May 10.

#### Current/Delinquent Property Tax Collections for Doña Ana County

Tax Year	Fiscal Year	Net Taxes Charged to Treasurer	Tax Collections <sup>(1)</sup>	Collections as a Percent of Net Levied	Current/Delinquent Tax Collections <sup>(2)</sup>	Current/Delinquent Collections as a Percent of Net Levied
2017	17/18	\$126,234,327	\$ 89,886,713	71.21%	\$ 89,886,713	71.21%
2016	16/17	124,042,961	118,564,408	95.58%	121,432,529	97.90%
2015	15/16	121,366,128	115,940,130	95.53%	119,085,527	98.12%
2014	14/15	117,086,783	111,084,801	94.87%	111,084,801	94.87%
2013	13/14	114,294,999	109,475,574	95.78%	112,115,085	98.09%
2012	12/13	111,473,300	106,152,876	95.23%	110,480,077	99.11%

Source: Doña Ana County Treasurer's Office

<sup>(1)</sup> As of June 30 of each year.

<sup>(2)</sup> As of February, 2018.



**Current/Delinquent Property Tax Collections for Otero County**

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Net Taxes Charged to Treasurer</u>	<u>Tax Collections<sup>(1)</sup></u>	<u>Collections as a Percent of Net Levied</u>	<u>Current/Delinquent Tax Collections<sup>(2)</sup></u>	<u>Current/Delinquent Collections as a Percent of Net Levied</u>
2017	17/18	\$27,777,277	\$17,102,604	61.57%	\$17,102,604	61.57%
2016	16/17	26,875,005	25,012,493	93.07%	25,926,887	96.47%
2015	15/16	26,037,519	24,571,377	94.37%	25,385,571	97.50%
2014	14/15	25,639,315	23,481,639	91.58%	23,481,639	91.58%
2013	13/14	24,552,611	23,083,217	94.02%	23,889,112	97.30%
2012	12/13	23,672,943	22,014,273	92.99%	23,425,348	98.95%

Source: Otero County Treasurer's Office

<sup>(1)</sup> As of June 30 of each year.

<sup>(2)</sup> As of February, 2018.

**Interest on Delinquent Taxes**

Pursuant to Section 7-38-49 NMSA 1978, if property taxes are not paid for any reason within thirty (30) days after the date they are due, interest on the unpaid taxes shall accrue from the thirtieth (30th) day after they are due until the date they are paid. Interest accrues at the rate of 1% per month or any fraction of a month.

**Penalty for Delinquent Taxes**

Pursuant to Section 7-38-50 NMSA 1978, if property taxes become delinquent, a penalty of 1% of the delinquent tax for each month, or any portion of a month, they remain unpaid shall be imposed, but the total penalty shall not exceed 5% of the delinquent taxes. The minimum penalty imposed is \$5.00. A county can suspend application of the minimum penalty requirement for any tax year.

If property taxes become delinquent because of an intent to defraud by the property owner, 50% of the property tax due or fifty dollars (\$50.00), whichever is greater, shall be added as a penalty.

**Remedies Available for Non-Payment of Taxes**

Pursuant to Section 7-38-47 NMSA 1978, property taxes are the personal obligation of the person owning the property on the date on which the property was subject to valuation for property taxation purposes. A personal judgment may be rendered against the taxpayer for payment of taxes that are delinquent, together with any penalty and interest on the delinquent taxes. The sale or transfer of property after its valuation date does not relieve the former owner of personal liability for the property taxes imposed for that tax year.

Taxes on real property are a lien against the real property from January 1 of the tax year for which the taxes are imposed. Pursuant to Section 7-38-65 NMSA 1978, delinquent taxes on real property may be collected by selling the real property on which taxes are delinquent.

Pursuant to Section 7-38-53 NMSA 1978, delinquent property taxes on personal property may be collected by asserting a claim for delinquent taxes against the owner's personal property.

**New Mexico State University – Doña Ana Community College District**

**General**

Doña Ana County borders Texas and Mexico and has a rich and colorful history ranging from 16th century Spanish exploration to the landing of the space shuttle. The District draws a substantial amount of its enrollment from the City of Las Cruces (the "City"). The City is the second largest city in the State and is the commercial, service, and cultural center of southern New Mexico.

Doña Ana Community College was established in 1971 at the request of the Las Cruces, Gadsden, and Hatch Valley School Boards to provide vocational and technical education opportunities to the citizens of Doña Ana County.

Doña Ana Community College (DACC), a two-year college located in the City and part of the New Mexico State University system (“NMSU” or the “University”), is the 2<sup>nd</sup> largest community college in terms of enrollment in the state of New Mexico. DACC offers 40 associate degrees, transferable general education courses, and college preparation courses. In addition, DACC has 52 certificates in 23 programs of study. DACC also offers a wide range of non-credit opportunities for community members including Adult Basic Education courses (GED and ESL), community education, and contract training and other support services for area business and industry. DACC endorses an open door admissions concept that, to the limit of its physical and financial resources, admits all who wish to attend.

### Governing Board and Administration

DACC is a branch of the University and is governed by the Board of Regents of the University through an operating agreement between the University and the DACC Governing Board. The DACC Governing Board is comprised of two members of each of the local school boards of Doña Ana County (Gadsden Independent School District, Hatch Valley Public School District, and Las Cruces Public School District). This representative advisory board meets at least twice annually with the administrative staff of DACC. The Board of Regents sets tuition and personnel policies, determines curricula and degrees, and handles all records, funds, receipts, and disbursements for the community college. The Operating Agreement explains the functions and duties of the DACC Advisory Board. They are as follows:

- Enter into a written agreement with the Regents, subject to biennial review, and the commentary of the New Mexico Higher Education Department
- Act in an advisory capacity to the Regents in all matters pertaining to the conduct of DACC
- Approve the annual operating budget of DACC for recommendation to the Regents
- Certify to the Doña Ana County Commissioners the tax levy
- Conduct the election for tax levies for DACC

The Governing Board of the District is comprised of all members of the Las Cruces, Gadsden and Hatch Valley School Boards. The Boards are as follows:

Las Cruces School Board	Gadsden School Board	Hatch Valley School Board
Maria A. Flores	Daniel Castillo	Greg Mitchell
Ed Frank	Daniel Estupiñan	Elva Garay
Ray Jaramillo	Laura Salazar Flores	Christopher Montez
Terrie Dallman	Maria Saenz	Lupe Castillo
Maury Castro	Jennifer Viramontes	Paul Dulin

The President of the Doña Ana Community College serves at the discretion of the New Mexico State University Board of Regents. The University employs all other staff members.

The current members of the administration are:

#### Dr. Renay Scott, President

Ph.D., Wayne State University; M.S. Michigan State University. Prior to her appointment as President in June 2014, Dr. Scott previously served as Provost at Owens Community College. Other positions she has held in academia include dean, department chair and tenured professor in teacher education. Her areas of scholarship include curriculum, instruction, assessment, education, and history with an emphasis on American history.

#### Kelly Brooks, Vice President for Business and Finance

Bachelor of Accounting, NMSU Las Cruces, New Mexico. Ms. Brooks officially joined DACC in April 2015, as Vice President for Business and Finance, where she serves as Chief Financial Officer of DACC. Prior to April 2015, Ms.

Brooks was on loan to DACC from NMSU, where she served as Executive Director of Facilities Administration. In that position, Ms. Brooks oversaw business and administrative affairs for facilities and services at NMSU.

### **History of the NMSU Doña Ana Campus**

In 1965, Doña Ana County was designated as an appropriate site for an area vocational-technical school by the New Mexico Public Education Department. In 1968, it was recommended that New Mexico State University become responsible for offering post-secondary vocational-technical education in Doña Ana County. As the most cost effective means of implementing the program, in 1971 the Boards of Education of Las Cruces, Gadsden, and Hatch Valley requested that this be done through a branch community college located on the campus of the University. A request to establish the college was forwarded to and approved by the Board of Educational Finance and the New Mexico Public Education Department in 1971. The NMSU Board of Regents approved the request in 1972. On November 1, 1972, the Boards of Education of the Las Cruces Public School District, the Gadsden Independent School District and the Hatch Valley Public School District, as a combined board, adopted a resolution for a mill levy to fund the community college under the Branch Community College Act, Sections 21-14-1 *et seq.*, NMSA 1978.

### **The Building Program**

In September 2014, the Advisory Board adopted the 2015-2022 Facilities Master Plan (the "Plan") for DACC.

Voters approved a \$15 million General Obligation Bond election on February 3, 2015. The proceeds of the Series 2015 Bonds and the Series 2018 bonds provide funds for the following projects:

- East Mesa Center, Las Cruces, NM - \$2 million for site and physical improvements – Project nearly complete and expected to be finalized Fall 2018.
- Central Campus at NMSU, Las Cruces, NM - \$2.5 million for space renovation and facility renewal – Project Completed Fall 2017
- Workforce Development Center, Las Cruces, NM - \$1.5 million for laboratory expansion and facility/site renewal – Renovations to utilize 2018 Bond proceeds
- Gadsden Center (Phase 3), Anthony, NM - \$5 million for additional classrooms, laboratories and support space for expected student enrollments – Project to utilize 2018 Bond proceeds
- Infrastructure improvements / facility renewal satellites - \$2 million – Ongoing improvements to IT infrastructure are underway and continue to support demands for access and growth in technology.
- Technology / equipment acquisition - \$2 million – Ongoing acquisitions to meet demands for up to date equipment.

### **Capital Improvements Plan**

While DACC has experienced declining enrollment since 2011, DACC anticipates growth in enrollment in response to service area growth and demand for new programs. DACC utilizes a "cycling" approach to capital financing. The capital program is based on bond issues on a regular 4 year cycle. This approach allows for steady revenue expectations to support the long range master plan.

DACC is currently in the process of updating its facilities master plan to address future short and long-term capital needs and improvements related to facilities as well as information technology infrastructure improvements for the next funding cycle. The current 2015-2022 plan identified the need for a total of \$30 million in funding over seven years, including \$15 million in local funding from 2015-2018 and another \$15 million in local funding from 2019-2022. The updated plan will address the future 2019 bond election estimated at \$16 million in local funding.

DACC will continue to provide services through a combination of a central campus and satellite facilities. The Central Campus adjacent to NMSU will continue to provide services with a focus on technical studies and health and public services programs. Satellite facility development will respond to service area growth and demographics. East Mesa Center has become the primary DACC campus and currently offers most of the business and information systems and

general studies programs. Projects are planned for the Gadsden Center serving residents of the Anthony area and southern part of Doña Ana County. Additionally, DACC continues to provide services at the Chaparral Center as well as the Sunland Park Center to serve the needs of these growing border areas. DACC is finalizing the sale of the Hatch Learning Center to the Hatch Valley Public School (HVPS) District for use by HVPS administration but continues to provide services in the northern part of Dona Ana County utilizing classrooms at Hatch Valley High School. The Workforce Center will continue to focus on workforce development and customized training.

Capital needs will be met through a combination of issuance of local general obligation bonds and requested state matching funds. The local tax rate of one mill, first established through the 1995 general obligation bond election, continued until the general obligation bond election held on February 3, 2015. The February 3, 2015 election reduced the local debt service tax rate to three-quarters (.75) mill and increased the operating mill levy from 1.0 to 1.25 mill. The debt service tax rate will generate an estimated \$32 million of local funding from 2019-2026 to support various programs. The plan is based on a target of about 33% state funding over the course of implementation.

### **Insurance**

The University is covered by the State's self-funded insurance program. The District is covered for insurance purposes as a unit of the University. The insurance program is administered by the State of New Mexico General Services Department, Risk Management Division, Santa Fe, New Mexico.

The coverages include comprehensive property, workers' compensation and liability coverage for all state agencies and institutions of higher learning at set limits per legislative action. The University is considered a state agency for insurance purposes and is specifically named in the Insurance Act.

In addition, a program created by State statute commonly known as the New Mexico Tort Claims Act, Sections 41-4-1 *et seq.*, NMSA 1978, as amended (the "Insurance Act") sets the limits of tort liability for judgment actions against the University and other state agencies.

### **District Property**

The District has about 550,654 gross square feet (gsf) of building space at seven different locations. The Central Campus is the oldest DACC campus, located on 15.5 acres on the southwest edge of NMSU's campus in Las Cruces, and has approximately 233,274 gsf. Currently, the Central Campus is planned to capacity. The Sunland Park Center (Border Area Satellite), is located on 17.3 acres in Sunland Park, New Mexico, with 36,602 gsf (a portion was completed in 1996 with additions completed in the fall of 2014). The Gadsden Center is located on 20 acres in Anthony, New Mexico, with 31,546 gsf and was completed in 2000. The East Mesa Campus opened in 2003 and now serves as DACC's primary campus. This facility occupies a 60-acre parcel on the Las Cruces' East Mesa. With the completion of additional phases at the East Mesa Center, the location now has about 201,475 gsf. The District acquired the Workforce Development Center from NMSU in 2000, which now includes 33,000 gsf. In 2012, DACC opened two additional satellite campuses, the Chaparral and Hatch learning centers. Chaparral contains about 7,928 gsf, while Hatch contains about 6,829 gsf. DACC closed the Hatch Center in July 2017 and is currently finalizing the sale of the building and property to Hatch Valley Public Schools.

### **Enrollment**

The District's enrollment for the current and previous five fiscal years is as follows:

	2017-18	2016-17	2015-16	2014-13	2013-14
<b>Degree and Certificate Programs (Credit)</b>					
Fall Headcount	7,950	8,241	8,252	8,528	8,923
Annualized FTE	4,850	4,993	4,972	5,215	5,499
<b>Non-Credit Programs (Annual)</b>					
Adult Basic Education	1,700	1,636	1,803	2,039	2,508
Community Education	750	708	846	1,133	1,245
Customized Training	800	743	1,174	1,162	1,194
Small Business Development	400	411	-	-	-
Total Non-Credit Students	3,650	3,498	3,823	4,334	4,947

The following table provides additional detail on the District's student population.

<b>Gender</b>	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Did Not Respond	0	28	1	0	7
Female	6,771	6,514	6,265	6,270	6,168
Male	5,411	5,002	4,745	4,629	4,472
<b>Total</b>	<b>12,182</b>	<b>11,544</b>	<b>11,011</b>	<b>10,899</b>	<b>10,647</b>

<b>ETHNICITY</b>	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
American Indian/Alaskan Native	175	157	148	143	159
Asian, Hawaiian, and 2 or more	226	215	209	229	237
Black or African American	346	302	226	226	250
Hispanic	8,517	8,082	7,834	7,932	7,788
Race and/or Ethnicity Unknown	473	571	435	437	409
White	2,452	2,224	2,126	1,937	1,837
<b>Total</b>	<b>12,189</b>	<b>11,551</b>	<b>11,026</b>	<b>10,904</b>	<b>10,680</b>

<b>AGE</b>	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
00-17	1,241	1,225	1,364	1,516	1,460
18-21	5,053	4,669	4,474	4,399	4,450
22-24	1,835	1,768	1,748	1,661	1,624
25-34	2,589	2,404	2,154	2,193	2,162
35-49	1,413	1,351	1,268	1,109	1,017
50-64	532	555	497	465	396
65+	0	28	00	0	0
<b>Total</b>	<b>12,663</b>	<b>12,000</b>	<b>11,505</b>	<b>11,343</b>	<b>11,115</b>

## Accreditation

The District is independently accredited by the Higher Learning Commission of the Northern Central Association of Colleges and Schools. This association is responsible for evaluating all areas of education including instruction, student support services, administration, curriculum, and other educational aspects as they pertain to delivery of quality services.

The Higher Learning Commission (HLC) is an independent corporation that was founded in 1895 as one of six regional institutional accreditors in the United States. HLC accredits degree-granting post-secondary educational institutions in the North Central region. The District's accreditation was re-affirmed in 2014. The next reaffirmation of accreditation will

occur in 2023-2024. A mid-cycle review was conducted February 12 and 13, 2018. DACC received a favorable report from the Commission on this mid-cycle review on April 30, 2018; no reporting requirements were cited.

## **Finances of the Educational Program**

The District does not prepare its own financial statements but is included in the financial, accounting and budgeting processes of the University.

The operating revenues for the District are derived from appropriations made to the District by the State and/or local government; sales and services of auxiliary operations; tuition and fees; self-funded activities; federal, state and local government grants and contracts; private gifts, grants and contracts; and other miscellaneous sources.

### **Budget Process**

The University operates on an annual budget with a fiscal year beginning on July 1. However, the budget and resource allocation process is a multi-year activity that assures that funding from all sources is continuously consistent with long-range policies, programmatic goals, and specific campus roles and objectives of the University. The budget process is based on criteria established by the New Mexico Higher Education Department (the "Department") for the purpose of ensuring consistency in the development and reporting of budget information among State institutions of higher education.

In general, the University prepares the following types of budgets: (a) unrestricted current funds budgets, (b) restricted current funds budgets, and (c) capital construction budgets supported by State capital construction appropriations and local funds derived from the sale of general obligation bonds. Current funds represent those resources of the University that are expendable for current operating purposes. These funds are divided into two subgroups, unrestricted and restricted. While unrestricted current funds can be expended for any University purpose, the expenditure of restricted current funds is limited by the donor or grantor to specific purposes, programs, departments or colleges. Unrestricted current funds budgets are funded by State appropriations, local tax levy, tuition, sales, and other sources. Restricted current funds budgets are funded by federal, private and state grants and contracts, and other sources. The State appropriated operating budgets include appropriations for instruction and related support, certain public service activities, libraries, and other items. Non-appropriated operating activities include sponsored programs paid for by federal, state and private contracts and grants, student financial assistance, certain self-funding activities, and auxiliary enterprises.

### **Accounting Policies**

The District accounts for its financial resources through the University in accordance with the principles of fund accounting for colleges and universities. Under these principles, University resources are recorded and maintained through the use of separate accounts, known as funds, to assure observance of any donor or grantor restrictions imposed upon the use of these resources. For reporting purposes, funds which have similar objectives and characteristics are combined into separately balanced fund groups. The fund groups that the University uses to reflect its financial position are current funds, student loan funds, endowment funds, plant funds, and agency funds.

The Department is required by statute to conduct periodic special audits of the institutions of higher education. These audits may include verification of enrollments, fund balances, compliance with legislation, comparison of expenditures to budgets and other areas to be determined by the Department. The Department is required to consider the audit findings in making its annual recommendations to the executive and legislative branches for higher education funding. Many of the areas included in special audits are reviewed annually by the Department during its annual operating budget approval process.

### **Budget Comparisons**

Financial information for DACC is collectively reported with New Mexico State University. Below is a budget comparison of current funds for Doña Ana Community College.

**New Mexico State University-Dona Ana Community College  
Budget Comparison Summary of Current Funds**

**Fiscal Year Ended 2016-2017**

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actuals</b>
<b>Revenues</b>			
Unrestricted	39,762,774	38,839,770	38,784,297
Restricted	23,162,430	19,532,123	18,472,062
<b>Total</b>	<b>62,925,204</b>	<b>58,371,893</b>	<b>57,256,359</b>
<b>Expenses/Net Transfers</b>			
Unrestricted	39,809,453	40,567,304	38,449,548
Restricted	23,162,430	19,532,123	18,472,062
<b>Total</b>	<b>62,971,883</b>	<b>60,099,427</b>	<b>56,921,610</b>
<b>Changes in Net Assets</b>			
Unrestricted	(46,679)	(1,727,534)	334,749
Restricted	-	-	-
<b>Total</b>	<b>(46,679)</b>	<b>(1,727,534)</b>	<b>334,749</b>

**Fiscal Year Ended 2015-2016**

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actuals</b>
<b>Revenues</b>			
Unrestricted	40,258,982	39,576,730	39,501,018
Restricted	24,861,123	21,973,301	18,383,666
<b>Total</b>	<b>65,120,105</b>	<b>61,550,031</b>	<b>57,884,684</b>
<b>Expenses/Net Transfers</b>			
Unrestricted	40,301,450	41,743,211	39,448,928
Restricted	24,861,123	21,973,301	18,383,666
<b>Total</b>	<b>65,162,573</b>	<b>63,716,512</b>	<b>57,832,594</b>
<b>Changes in Net Assets</b>			
Unrestricted	(42,468)	(2,166,481)	52,090
Restricted	-	-	-
<b>Total</b>	<b>(42,468)</b>	<b>(2,166,481)</b>	<b>52,090</b>

**Fiscal Year Ended 2014-2015**

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actuals</b>
<b>Revenues</b>			
Unrestricted	39,699,104	38,645,463	38,765,696
Restricted	24,519,227	24,253,772	20,810,177
<b>Total</b>	<b>64,218,331</b>	<b>62,899,235</b>	<b>59,575,873</b>
<b>Expenses/Net Transfers</b>			
Unrestricted	39,793,748	39,786,548	37,761,772
Restricted	24,519,227	24,253,772	20,810,177
<b>Total</b>	<b>64,312,975</b>	<b>64,040,320</b>	<b>58,571,949</b>
<b>Changes in Net Assets</b>			
Unrestricted	(94,644)	(1,141,085)	1,003,924
Restricted	—	—	—
<b>Total</b>	<b>(94,644)</b>	<b>(1,141,085)</b>	<b>1,003,924</b>

**Fiscal Year Ended 2013-2014**

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actuals</b>
<b>Revenues</b>			
Unrestricted	38,124,686	37,937,033	36,969,651
Restricted	28,480,918	28,656,070	22,315,118
<b>Total</b>	<b>66,605,604</b>	<b>66,593,103</b>	<b>59,284,769</b>
<b>Expenses/Net Transfers</b>			
Unrestricted	38,204,998	38,319,337	36,139,008
Restricted	28,480,918	28,656,070	22,315,118
<b>Total</b>	<b>66,685,916</b>	<b>66,975,407</b>	<b>58,454,126</b>
<b>Changes in Net Assets</b>			
Unrestricted	(80,312)	(382,304)	830,643
Restricted	—	—	—
<b>Total</b>	<b>(80,312)</b>	<b>(382,304)</b>	<b>830,643</b>

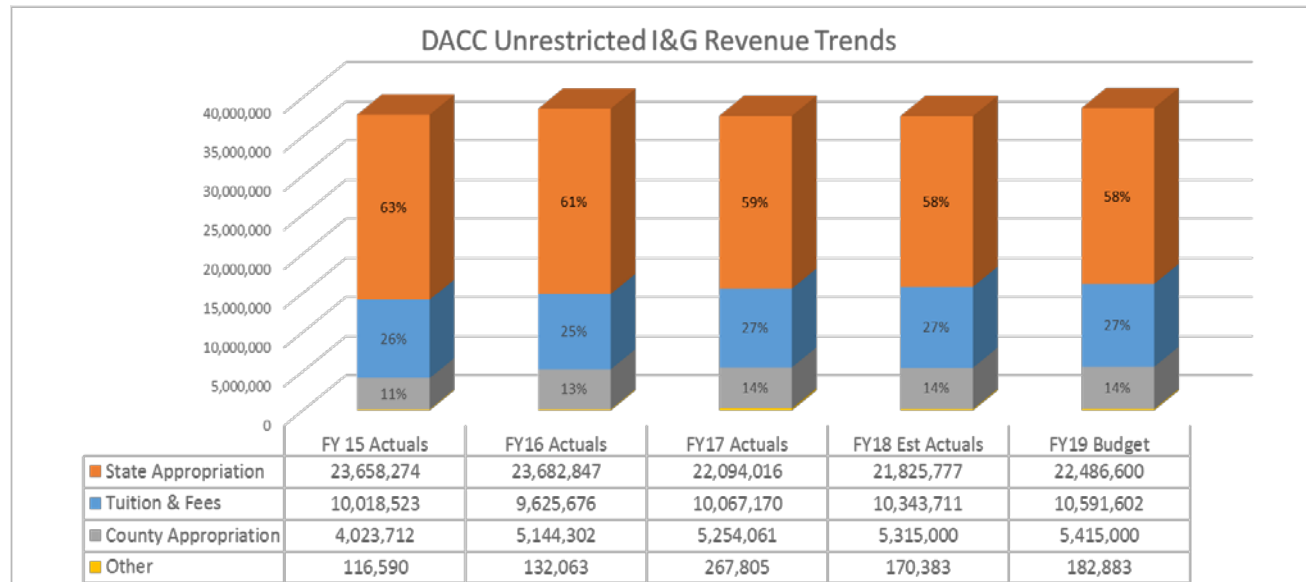
**Fiscal Year Ended 2012-2013**

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actuals</b>
<b>Revenues</b>			
Unrestricted	37,276,146	36,369,849	35,040,597
Restricted	28,954,239	28,584,065	24,055,677
<b>Total</b>	<b>66,230,385</b>	<b>64,953,914</b>	<b>59,096,274</b>
<b>Expenses/Net Transfers</b>			
Unrestricted	37,288,126	37,533,461	35,885,307
Restricted	28,954,239	28,584,065	24,055,677
<b>Total</b>	<b>66,242,365</b>	<b>66,117,526</b>	<b>59,940,984</b>
<b>Changes in Net Assets</b>			
Unrestricted	(11,980)	(1,163,612)	(844,710)
Restricted	—	—	—
<b>Total</b>	<b>(11,980)</b>	<b>(1,163,612)</b>	<b>(844,710)</b>



## Primary Sources of Revenue for the District

Financial information for DACC is collectively reported with the University. Below is four-year history of the primary sources of revenue for the District and estimated revenues for fiscal years 2018 and 2019:



## Expenditures of the District

### DACC Summary of Actual Expenditures

	FY13	FY14	FY15	FY16	FY17	FY18*	FY19*
Instruction	19,517,271	19,403,064	20,467,784	20,742,804	19,853,561	20,777,189	21,361,930
Academic Support	3,678,783	3,785,887	3,846,089	3,878,107	3,827,643	4,230,558	4,599,801
Student Services	3,001,708	3,104,952	3,306,105	3,232,098	3,160,866	3,239,303	2,980,052
Institutional Support	5,060,998	4,704,145	5,035,659	5,068,834	4,934,212	5,140,484	5,316,274
Operation & Maintenance	2,759,661	2,886,317	2,854,566	2,764,369	2,746,339	2,939,687	2,973,104
Instruction & General	\$34,018,421	\$33,884,365	\$35,510,203	\$35,686,212	\$34,522,621	\$36,327,221	\$37,231,161
Student Soc & Cultural	258,016	278,447	271,051	313,995	307,227	353,355	371,655
Public Service	90,815	28,845	29,168	23,519	269,835	89,926	90,113
Internal Service	22,063	(73,373)	1,313	1,479	99,368	(54,015)	(18,426)
Student Aid	364,908	397,279	393,448	345,372	289,168	451,751	423,576
Auxiliaries	507,873	513,937	497,637	486,868	486,982	604,025	633,025
<b>Subtotal Current Funds</b>	<b>\$35,262,096</b>	<b>\$35,029,500</b>	<b>\$36,702,820</b>	<b>\$36,857,445</b>	<b>\$35,975,201</b>	<b>\$37,772,263</b>	<b>\$38,731,104</b>
Capital Outlay	3,534,634	4,500,379	2,138,229	2,838,097	6,384,347	2,983,107	8,190,000
Renewal & Replacement	356,702	424,084	327,128	166,095	198,358	345,000	1,245,000
<b>Total Expenditures</b>	<b>\$39,153,432</b>	<b>\$39,953,963</b>	<b>\$39,168,177</b>	<b>\$39,861,637</b>	<b>\$42,557,906</b>	<b>\$41,100,370</b>	<b>\$48,166,104</b>

\*Operating Budget

## District Fund Balance History

Fiscal Year Ending June 30	Current Funds	Capital Outlay	Renewal & Replacement	Investment in Plant	Endowments
2017	7,366,002	8,083,952	3,587,421	90,075,728	335,798
2016	7,031,253	11,610,282	2,252,463	89,526,300	335,481
2015	6,979,163	2,458,851	772,211	87,441,206	333,319
2014	5,975,239	3,049,544	679,619	87,034,459	327,779
2013	5,144,596	7,134,235	578,561	83,133,167	321,280
2012	5,989,306	10,420,533	774,381	78,435,625	319,678
2011	7,124,956	20,336,971	1,118,302	62,452,475	319,185
2010	6,999,281	12,268,371	697,466	61,078,982	318,270
2009	5,721,573	6,069,127	942,936	55,646,023	318,270
2008	4,940,078	12,204,533	1,165,087	45,292,220	15,684

## Employees

The District employs 386 full-time employees, 455 part-time employees, and more than 300 student employees.

## Employee Retirement Plans

The University offers three retirement plans. All regular employees (full-time or part-time) 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 described herein, 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, survivor benefits, disability benefits, and cost-of-living adjustments to plan members and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. 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](http://www.nmerb.org).

**Funding Policy:** The University is required to contribute 13.9% of the gross covered salary. Employees earning more than \$20,000 (on a full-time annualized basis) must contribute 10.7% of the employee's gross salary. Employees earning \$20,000 or less (on a full-time annualized basis) contribute 7.9% of gross salary. The contribution requirements of plan members and the University are established in Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the New Mexico legislature. The University's contributions to the ERB for the years ended June 30, 2017, 2016 and 2015 were \$25,431,697, \$26,736,083, and \$27,631,799, respectively, which were equal to the amount of the required contribution for each year.

**Return to Work Program:** Effective January 1, 2002, the ERB implemented a retiree Return-to Work (RTW) program. The University is required to make regular (13.9%) employer contributions on eligible retiree wages. The University's contributions to the ERB for RTW program participants for the years ended June 30, 2017, 2016 and 2015, were \$209,946, \$211,022, and \$211,179, respectively, which were equal to the amount of the required contributions for each year.

Pension Plan Statistics: An actuarial investigation and valuation of the ERB was last conducted and reported as of June 30, 2017. The ERB had 153,514 members as of June 30, 2017, including active, retired, inactive vested, and inactive non-vested members.

Fiscal Year Ending June 30	Employer Contributions	Employee Contributions	Average Asset Held in Trust (\$000s)
2017	\$395,843,795	\$292,809,008	\$12,509,355,910
2016	396,988,557	295,946,396	11,755,860,387
2015	395,129,621	294,560,840	11,642,543,051
2014	362,462,537	268,693,991	11,442,171,449
2013	299,657,530	248,785,187	10,358,058,861
2012	253,845,277	289,852,094	9,606,304,017
2011	308,367,952	247,407,988	9,642,229,673
2010	313,281,978	250,666,650	9,431,321,589
2009	323,621,282	212,014,023	9,366,271,312
2008	290,875,379	201,916,230	9,272,832,328

Source: New Mexico Educational Retirement Board, Comprehensive Annual Financial Reports

The market value of the Educational Retirement Fund (the "Fund") as of June 30, 2017 was \$12.5 billion with a return on market value of 11.8%. The actuarial value of assets was \$12.5 billion as of June 30, 2017, and the unfunded accrued actuarial liability ("UAAL") was \$7.4 billion based on an assumed 8.2% rate of return. The ERB continues to monitor both its investment returns and general market conditions and may change its assumed rate of return as market conditions and experience warrant. The plan fiduciary net position as a percentage of the total pension liability was 52.95%, which was down from 61.58% in 2016.

Governmental Accounting Standards Board Statement No. 68 addresses accounting and financial reporting for pensions that are provided to employees of state and local government employers through pension plans that are administered through trusts and also establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. According to Statement No. 68, the University, as a contributor to ERB, is required to recognize its proportionate share of the collective net pension liability, pension expense, and deferred inflows or outflows of resources of the cost-sharing, multi-employer plan with ERB. For Fiscal Year 2017, the University's proportionate share of the collective net pension liability was \$507,687,518.

In July 2012, the ERB adopted goals of achieving 95%, plus or minus 5% funded ratio by the year 2042. To achieve this goal, the New Mexico Legislature amended the Educational Retirement Act in the 2013 legislative session (Senate Bill 115; Chapter 61, Laws 2013). The amendments increased employee contributions for members whose salary exceeds \$20,000 per year to 10.7% in Fiscal Year 2017 (ERB members who make less than \$20,000 contribute 7.9% of their gross salary). The legislation also kept in place scheduled increases in employer contribution rates, created a new tier membership for persons who become members of the ERB Fund on or after July 1, 2013, created certain actuarial limitations on benefits of new tier members, placed limitations on future cost of living adjustments ("COLA") for current and future retirees which are tied to the future funded ratios of the Fund, and made certain other clarifying and technical changes.

In December 2013, the New Mexico Supreme Court, *Barlett v. Cameron*, 316 P.3d 889 (N.M. 2013), rejected the claims of certain retired teachers, professors and other public education employees challenging the state constitutionality of Senate Bill 115 to the extent that it reduces the future amounts that all education retirees might receive as annual COLA. The Court held that Article XX, Section 22 of the New Mexico Constitution did not grant the retirees a right to an annual COLA based on the formula in effect on the date of their retirement for the entirety of their retirement. The Court held that in the absence of any contrary indication from the New Mexico Legislature, any future COLA to a retirement benefit is merely a year-to-year expectation that, until paid, does not create a property right under the New Mexico Constitution. Once paid, the COLA, by statute, becomes part of the retirement benefit, and a property right subject to those constitutional protections.

## B. Alternative Retirement Program ("ARP")

Plan Description: 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 ERB. The two carriers approved by the ERB are the Teachers Insurance and Annuity Association/College Retirement Equities Fund and the Variable Annuity Life Insurance Company. Employees are allowed to transfer between carriers once each year.

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. Members of the ARP are allowed the option to cash out or rollover the ARP account once they have left employment.

Contribution Required: Total payroll expenses covered by ARP for the years ended June 30, 2017, 2016, and 2015 were \$29,449,905, \$27,853,706, and \$27,883,938, respectively. Employees earning less than \$20,000 under this plan contribute 7.9% of their gross salaries and employees earning more than \$20,000 must contribute 10.7% of their gross salary. The University is required to contribute 10.9% to the carrier and 3% to the ERB as an administrative fee. The 3% fee does not provide retirement benefits. Benefits are determined strictly by contributions made and earnings on contributions.

Vesting is immediate and benefits are distributed only as an annuity. The University's contribution for years ended June 30, 2017, 2016, and 2015 were \$3,210,313, \$3,036,291, and \$3,037,200, respectively, for employees participating in the ARP. Additionally, \$883,491, \$827,516, and \$836,519 were paid as an administrative fee to the ERB for years ended June 30, 2017, 2016, and 2015, respectively; and employees participating in the ARP made contributions totaling \$3,151,409, \$2,781,785, and \$2,981,402 for the same periods.

## 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 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 into FERS at their own discretion. The CSRS and FERS are administered by the U.S. Office of Personnel Management, Retirement Operations Center.

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, 2017, there were two employees enrolled under CSRS and eleven employees enrolled under FERS. The University contributes 7.0% and employees contribute 7.0% under CSRS. The University contributed 13.70% for the fiscal years ended June 30, 2017 and 2016, and 13.2% for the fiscal year ended June 30, 2015, and employees contributed 0.8% for the fiscal years ended June 30, 2017, 2016 and 2015 under FERS. For the fiscal years ended June 30, 2017, 2016, and 2015, the University contributed \$136,061, \$142,235, and \$142,467, respectively; employees contributed \$16,343, \$19,980, and \$23,647, respectively, under both plans.

Other Post-employment Benefits: NMSU is a single employer that offers employees and their eligible dependents retiree benefits. 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 NMSU 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 older) 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. The retiree pays all premiums for life insurance.

The University currently pays 60% of the monthly medical and prescription premium for retirees and their eligible dependents to age 70. As of June 30, 2017, 1,265 retirees met the eligibility requirements for health insurance.

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

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 contribute 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 2017 and 2016 were \$4,422,000 and \$4,357,000, respectively, net of retiree contributions.

## **Tax Matters**

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, to be delivered at the time of original issuance of the Bonds, under existing laws, regulations rulings and judicial decisions, and assuming compliance with covenants described herein, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code (as defined below) for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion, based on existing laws of the State of New Mexico as enacted and construed, that interest on the Bonds is exempt from all taxation by the State of New Mexico or any political subdivision thereof.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Bonds. The District has made various representations and warranties with respect to, and has covenanted in the Bond Resolution and other documents, instruments and certificates to comply with the applicable provisions of the Code to assure that interest on the Bonds will not become includable in gross income. Failure to comply with these covenants or the inaccuracy of these representations and warranties may result in interest on the Bonds being included in gross income from the date of issue of the Bonds. The opinion of Bond Counsel assumes compliance with the covenants and the accuracy of such representations and warranties.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Before purchasing any of the Bonds, potential purchasers should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

The opinions expressed by Bond Counsel are based upon existing law as of the date of issuance and delivery of the Bonds, and Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending legislation.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to Bonds issued prior to enactment. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

## **Qualified Tax-Exempt Obligations**

The District has designated the Bonds "qualified tax-exempt obligations" for the purposes of Section 265(b) of the Code. In that connection, the District covenants that the District, it having no "subordinate entities" with authority to issue obligations within the meaning of that section of the Code, in or during the calendar year in which the Bonds are issued (i) will not designate as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code, tax-exempt obligations, including the Bonds, in an aggregate principal amount in excess of \$10,000,000 and (ii) will not issue tax-exempt obligations within the meaning of Section 265(b)(4) of the Code, including the Bonds, and any qualified 501(c)(3) Bonds, as defined in Section 145 of the Code (but excluding obligations, other than qualified 501(c)(3) bonds, that are private activity bonds as defined in Section 14 of the Code), in an aggregate principal amount exceeding \$10,000,000, unless the District receives an opinion of nationally recognized bond counsel that such designation or issuance, as applicable, will not cause the Bonds to cease to be "qualified tax-exempt obligations".

## **Original Issue Discount**

Certain Bonds were offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a Bond accrues periodically over the term of the Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual or original issue discount increases the holders' tax basis in the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Bonds offered at original issue discount should consult their tax advisor for an explanation of the accrual rules.

## **Original Issue Premium**

Certain Bonds were offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Bond through reductions in the holders' tax basis in the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Bond rather than creating a deductible expense or loss. Holders of Bonds offered at an original issue premium should consult their tax advisor for an explanation of the amortization rules.

## **Internal Revenue Service Audit Program**

The Internal Revenue Service (the "Service") has an ongoing program auditing tax-exempt obligations to determine whether, in view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures, the Service will treat the District as the taxpayer and the Bond owners may have no right to participate in such procedure. Neither the initial purchasers of the Bonds, the Municipal Advisor, nor Bond Counsel is obligated to defend the tax-exempt status of the Bonds. The District has covenanted in the Bond Resolution not to take action that would cause the interest on the Bonds to lose its exclusion from gross income except to the extent described above for the owners thereof for federal income tax purposes. Neither the District, the Municipal Advisor, nor Bond Counsel is responsible to pay for or reimburse a Bond owner for the costs associated with or in respect to any audit or litigation relating to the Bonds.

## **CONTINUING DISCLOSURE UNDERTAKING**

The District will enter into an undertaking (the "Undertaking"), in the form attached as Exhibit E, for the benefit of the holders of the Bonds to provide (i) certain financial information by no later than March 31st of each year, beginning March 31, 2019 until the Bonds are no longer outstanding, and (ii) operating data, and to provide notice of certain events, pursuant to the requirements of section (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission (17 C.F.R. § 240.15c2-12) (the "Rule"). A failure by the District to provide any information required thereunder shall not constitute an Event of Default under the Bond Resolution. The District will update and provide this information no later than March 31 of each year, commencing March 31, 2019, for the fiscal year ending on the preceding June 30.

If the District changes its fiscal year, it may change the date by which it must provide its annual financial information to a date no later than nine months after the end of its new fiscal year.

## **Event Notices**

The District shall notify the Municipal Securities Rulemaking Board ("MSRB"), in an electronic format prescribed by the MSRB, in a timely manner, not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: A) principal and interest payment delinquencies; B) non-payment related defaults, if material within the meaning of the federal securities laws; C) unscheduled draws on debt service reserves reflecting financial difficulties; D) unscheduled draws on credit enhancements reflecting financial difficulties; E) substitution of credit or liquidity providers, or their failure to perform; F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; G) modifications to rights of holders of the Bonds, if material within the meaning of the federal securities laws; H) bond calls, if material within the meaning of the federal securities laws; I) defeasances;

J) release, substitution, or sale of property securing repayment of the Bonds, if material within the meaning of the federal securities laws; K) rating changes; L) bankruptcy, insolvency, receivership, or similar event of the District; M) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material within the meaning of the federal securities laws; and N) appointment of a successor or additional trustee or the change of name of a trustee, if material with the meaning of the federal securities laws.

In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

### **Limitations and Amendments**

The District may amend its undertaking from time to time without consent of the Bondholders, if the District delivers to MSRB's Electronic Municipal Market Access system ("EMMA"), an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect hereto, will not adversely affect compliance of the Undertaking and the District with the Rule (except that no opinion of counsel shall be required with respect to a change in the date by which the annual financial and operating information must be reported resulting from a change in the District's fiscal year). The Undertaking will terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. In addition, the Undertaking, or any provision thereof, will be null and void in the event the District delivers to EMMA an opinion of nationally recognized bond counsel to the effect that those portions of the Rule that require the Undertaking, or any such provision, are invalid, have been repealed retroactively, or otherwise do not apply to the Bonds.

Any failure of the District to provide the annual financial information or any material event notice does not constitute an Event of Default with respect to the Bonds, and an action seeking to compel performance of the Undertaking shall be the sole remedy in the event the District fails to comply with the Undertaking.

### **Litigation**

At the time of the original delivery of the Bonds, the District will deliver a no-litigation certificate to the effect that no litigation or administrative action or proceeding is pending or, to the knowledge of the appropriate officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the effectiveness of the Bond Resolution, the levying or collecting of taxes to pay the principal of and interest on the Bonds, or contesting or questioning the validity of the Bonds, or the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed, or delivered.

### **Rating**

Moody's Investors Service has given the Bond a rating of "Aa2". The rating reflects only the views of such rating agency and an explanation of the significance of the ratings may be obtained only from the rating agency. There is no assurance that the rating will be obtained or will continue for any given period of time after received or that the rating will be revised downward or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have effect on the market price of the Bonds.

### **The Municipal Advisor**

RBC Capital Markets, LLC, is employed as Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services, rendered with respect to the sale of the Bonds, is contingent upon the issuance and delivery of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of the accuracy, completeness, or fairness of the information in this Official Statement.

### **Legal Matters**

The opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, approving the legality of the Bonds and relating to the tax-exempt status of the Bonds will be furnished to the successful bidder at no

cost to the successful bidder. The written approval of the New Mexico Attorney General as to form and legality of the Bonds will be supplied. A draft of the opinion of Bond Counsel is attached hereto as Exhibit D.

### **Additional Matters**

All summaries of the statutes, resolutions, opinions, contracts, agreements, financial and statistical data, and other related reports described in this Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours, at the offices of the District located at 2800 Sonoma Ranch Blvd., Las Cruces, New Mexico 88011, or at the offices of RBC Capital Markets, LLC, 6301 Uptown Boulevard, NE, Suite 110, Albuquerque, New Mexico 87110.



## A Last Word

Anything in this Official Statement involving matters of opinion or estimates—whether labeled as such or not—are just that and are not representations of fact. They might not prove true. Neither this Official Statement nor any other written or oral information is to be construed as a contract with the registered owners of the Bonds.

The District has duly authorized the execution and delivery of this Official Statement.

**GOVERNING BOARD OF  
DOÑA ANA COMMUNITY COLLEGE DISTRICT**

By: \_\_\_\_\_  
President

By: \_\_\_\_\_  
Secretary

## EXHIBIT A

### ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT

#### **The Economy**

The economy of the Las Cruces MSA (Metropolitan Statistical Area) is diversified with the major employers being government, primarily White Sands Missile Range, NASA, New Mexico State University, City/County government and the District, which accounted for over 17,667 jobs in September 2017. The remaining non-agricultural jobs are in manufacturing (2,387), wholesale/retail trade (8,571), natural resources, mining and construction (3,570), transportation/warehousing/utilities (2,062), information (593), finance (1,718) and all other services (35,015).

Growth in the economy is demonstrated in the growth of gross receipts from retail trade, assessed valuation, building permits, housing prices, and median household income.

#### **Industry**

A combination of a well-educated labor force, favorable tax rates, and a high quality of living has attracted industry to Las Cruces. The blend of industries contributing to the diversification of the City's economy include the following: White Sands Missile Range (U.S. Army, private industry testing facility), Las Cruces Medical Center (hospital), NASA LBJ Test Facility (rocket testing), Honeywell Technology Solutions (aerospace services), Wal-Mart (retail), Tresco, Inc. (sheltered employment), ADC Telecommunications (telephone equipment manufacturer), IBP Prepared Foods (meat processor), NMSU Physical Science Laboratory (aerospace contractor), Frontier Airlines (Reservation Center), REA Magnet Wire (Wire Processing), Multi-Plastics (Component Parts), Taylor Metro (Scales & Measurement), Calculex (Electronics), Smart Corp (Computerized & Home Systems), Aldershot (Wholesale Nursery), Foamex, Inc. (Packaging), Young Pecan (Food Processing), and Las Cruces Machine (Machine Parts).

#### **Tourism**

The tourism industry has an impact on the Las Cruces economy with over 7,700 persons employed in the industry. A number of recreation sites in the Las Cruces area, including Leasburg Dam State Park, Fort Selden State Monument, Aguirre Springs, and Dripping Springs, attract visitors to their facilities. The Las Cruces Farmers & Crafts Market, held each Wednesday and Saturday morning, is rated as one of the top ten open-air markets in the United States. The New Mexico Farm & Ranch Heritage Museum, along with the University Art Gallery, the New Mexico State University Museum, the Las Cruces Museum of Natural History, and the Branigan Cultural Center give area visitors a glimpse into the life and culture of contemporary and historical New Mexico. The White Sands Missile Range, located in nearby Alamogordo, is the birthplace of the atomic age. It was established in 1945 and is operated by the United States Army. The Range is a major test facility for testing capabilities needed by the U. S. Army, Navy and Air Force, and by NASA. White Sands Space Harbor serves as an alternate landing site for NASA's space shuttle, and shuttle pilots train at the Range. White Sands is the home of Trinity Site, where the first atomic bomb was detonated, and is open to the public on the first Saturday in April and October.

#### **New Mexico State University**

New Mexico State University (the "University"), the main campus of which is situated in Las Cruces, was originally founded in 1888, and in 1889 was established as a land grant college. The University had a Fall 2017 enrollment of 24,580 students (including four branch campuses). Main campus Fall 2017 enrollment was 14,432. Twenty-eight doctoral programs, 58 master's degree programs, and 90 bachelor's degree programs are available in the University's nine colleges (Agriculture, Consumer and Environmental Sciences; Arts and Sciences; Business; Education; Engineering; Extended Learning; Health and Social Services; Honors and the Graduate School.)

The University's main campus encompasses approximately 3,500 acres and consists of more than 200 academic, research, and auxiliary buildings, and over 400 housing buildings. The University employs approximately 4,000 area residents, not including student employees. The University's largest single research operation is the Physical Science Laboratory. Research for engineering, space technology, and farm production and related industries is also conducted by various University departments. In fiscal year 2017, the University's research expenditures exceeded \$102 million. The University is classified as a Doctoral/Research institution as rated by the Carnegie Foundation. The University

anchors the southern end of New Mexico's Rio Grande Research Corridor. The statewide Water Resources Research Institute situated at the University studies the State's water supply and demands, conservation and use, as well as ecological and other aspects thereof.

### Agriculture

Many private and commercial farms are located in Doña Ana County. Principal crops include cotton, pecans, alfalfa, onions, lettuce, chile, barley, nursery stock, and feed grains. Water for the various agricultural operations is provided by surface water diverted from the Rio Grande River and approximately 900 irrigation wells. The area's growing season averages about 200 days each year. The livestock, dairy cattle, Stahmann Farms, and the poultry industry also provide a significant portion of agricultural income. Several chile processing plants are located in the area with seasonal employment growing to near 1,000.

### Transportation

Historically a crossroads of the Southwest, Las Cruces is serviced by Interstate Highways I-10 (east-west) and I-25 (north-south). Five major U.S. highways and seven State highways also serve the City. More than 20 interstate, regional, and local motor carriers serve Las Cruces; four of them operate terminals in the area.

Commuter air service and corporate and general aviation services are available at the City's international airport. Major scheduled airline service is provided by El Paso International Airport, approximately 50 miles from Las Cruces.

Daily rail service, with piggyback and container service, is provided by the Santa Fe and Southern Pacific railroads.

### Population

The following chart sets forth historical population data for the City of Las Cruces, Town of Mesilla, Doña Ana County and the State.

Year	City of Las Cruces	Town of Mesilla	Doña Ana County	New Mexico
1960	29,367	n/a	59,948	951,023
1970	37,857	1,713	69,773	1,017,055
1980	45,086	2,029	96,340	1,303,143
1990	62,648	1,976	136,523	1,519,933
2000	74,267	2,180	175,524	1,821,078
2010	97,618	2,196	218,523	2,112,957
2018 <sup>(1)</sup>	102,657	1,934	214,739	2,081,363
2023 <sup>(2)</sup>	104,721	1,871	217,379	2,101,278

Source: U.S. Census Bureau, State and County QuickFacts, 2018

<sup>(1)</sup> Estimates. Source: Spotlight, April 2018

<sup>(2)</sup> Projected. Source: Spotlight, April 2018

### Age Distribution

The following table sets forth a comparative age distribution profile for the City of Las Cruces, the State of New Mexico, and the United States.

Age Group	Las Cruces	New Mexico	United States
0-17	25.6%	23.9%	22.8%
18-24	13.9%	9.8%	9.8%
25-34	13.2%	13.3%	13.4%
35-44	10.9%	11.9%	12.6%
45-54	10.6%	11.9%	13.1%
55 and Older	25.8%	29.2%	28.3%

Source: The Nielson Company, February 2017

## Effective Buying Income

The following table reflects the percentage of households by Effective Buying Income (“EBI”) and a five-year comparison of the estimated median household income. EBI is personal income less personal tax and non-tax payments. Personal income includes wages and salaries, other labor income, proprietors’ income, rental income, dividends, personal interest income, and transfer payments. Deductions are made for federal, state, and local taxes, non-tax payments such as fines and penalties, and personal contributions for social security insurance. The following chart depicts the median household EBI level for the Las Cruces MSA, the State of New Mexico, and the United States.

Effective Buying Income Group	Las Cruces MSA	New Mexico	United States
Under \$25,000	30.55%	27.27%	20.37%
\$25,000 – 34,999	11.46%	10.65%	9.21%
\$35,000 – 49,999	16.63%	13.71%	12.87%
\$50,000 and over	14.75%	16.84%	17.09%
\$75,000 and over	25.54%	31.53%	40.46%
2018 Est. Median Household Income	\$41,849	\$48,044	\$60,133
2017 Est. Median Household Income	\$39,347	\$47,043	\$57,462
2016 Est. Median Household Income	\$40,884	\$45,455	\$55,551
2015 Est. Median Household Income	\$37,471	\$45,633	\$53,706
2014 Est. Median Household Income	\$40,477	\$44,292	\$51,579

Source: The Nielson Company, May 2018

## Gross Receipts

The following table shows the total reported retail trade gross receipts generated in the City of Las Cruces and the State of New Mexico for the past ten years. For the purposes of these tables, gross receipts means the total amount of money received from selling goods and services, leasing property, and performing services. Gross receipts includes, among other things, restaurants, food sales, and other services, such as legal services.

Fiscal Year	City of Las Cruces		State of New Mexico	
	Retail Trade	Total	Retail Trade	Total
2017	\$1,417,486,242	\$4,916,286,594	\$22,390,695,699	\$ 92,903,538,258
2016	1,490,765,115	5,335,023,100	24,506,857,479	107,507,232,815
2015	1,666,269,610	5,848,494,815	27,481,308,742	119,726,977,705
2014	1,434,463,630	5,123,830,072	24,395,913,091	107,584,699,939
2013	1,409,255,431	5,227,868,451	23,873,876,703	106,300,014,072
2012	1,430,446,622	5,324,304,225	23,914,774,137	104,221,140,366
2011	1,457,341,903	4,946,094,992	23,789,930,180	102,715,750,442
2010	1,401,251,647	4,764,363,661	18,488,631,499	70,166,804,087
2009	1,389,134,600	4,721,380,099	23,812,635,284	104,562,006,074
2008	1,488,177,478	4,868,400,324	25,711,762,198	110,710,199,751

Source: New Mexico Taxation & Revenue Department

## Employment

The following table, derived from information supplied by the New Mexico Department of Workforce Solutions, presents information on employment within the Las Cruces MSA, the State, and the United States, for the periods indicated. The annual unemployment figures indicate average rates for the entire year and do not reflect monthly or seasonal trends.

Year <sup>(1)</sup>	Las Cruces MSA		State of New Mexico		United States
	Labor Force	% Unemployed	Labor Force	% Unemployed	% Unemployed
2018 <sup>(2)</sup>	93,632	6.4%	934,178	5.8%	4.4%
2017	93,805	6.9%	929,567	6.2%	4.4%
2016	94,788	7.2%	928,732	6.7%	4.9%
2015	93,919	7.3%	927,999	6.5%	5.3%
2014	93,976	7.3%	927,142	6.7%	6.2%
2013	93,721	7.5%	923,899	6.9%	7.4%
2012	93,767	7.3%	927,795	7.1%	8.1%
2011	93,392	7.6%	930,356	7.5%	8.9%
2010	93,597	7.8%	936,088	8.1%	9.6%
2009	90,210	7.3%	940,352	7.5%	9.3%
2008	88,893	4.7%	944,548	4.5%	5.8%

Source: U.S. Bureau of Labor Statistics, April 2018

<sup>(1)</sup> Numbers are annual averages.

<sup>(2)</sup> Data for the month of February 2018; numbers are preliminary.

## Major Employers

The following entities are the largest employers located in Doña Ana County:

Major Employers of Doña Ana County	
Employer Name	Number of Employees
New Mexico State University	6,500+
Las Cruces Public Schools	3,000+
Peak Behavioral Health Services	1,500+
City of Las Cruces	1,000+
Memorial Medical Center	1,000+
White Sands Missile Range	1,000+
Wal-Mart	1,000+
Mountain View Regional Medical Center	750+
Doña Ana Community College	750+
Doña Ana County	750+
Addus Healthcare	500+
National Aeronautics & Space Agency	500+

Source: Mesilla Valley Economic Development Authority and New Mexico Department of Workforce Solutions.

EXHIBIT B

NEW MEXICO STATE UNIVERSITY  
AUDITED FINANCIAL STATEMENTS -  
JUNE 30, 2017

# FINANCIAL STATEMENTS AND SCHEDULES 2017 | 2016



**NM**  
**STATE**

All About Discovery!™  
**New Mexico State University**  
[nmsu.edu](http://nmsu.edu)

NMSU does not discriminate on the basis of age, ancestry, color, disability, gender identity, genetic information, national origin, race religion, retaliation, serious medical condition, sex (including pregnancy), sexual orientation, spousal affiliation, or protected veteran status in its programs and activities, including employment, admissions and educational programs and activities. Inquiries may be directed to the Executive Director of the Office of Institutional Equity, Title IX and Section 504 Coordinator, O'Loughlin House, 1130 E. University Avenue, Las Cruces, NM 88003; 575-646-3536; [equity@nmsu.edu](mailto:equity@nmsu.edu).



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June 30, 2017 and 2016**

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## Board of Regents

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*Chair*

Kari Mitchell  
*Vice Chair*

Jerean Camúñez Hutchinson  
*Secretary-Treasurer*

Mike Cheney  
*Member*

Margie Vela  
*Member*

## Ex-Officio Members

Susana Martinez  
*Governor*

Christopher Brown  
*Faculty Senate Chair*

Adam Cavotta  
*Employee Council Chair*

Kevin Prieto  
*President, ASNMSU*

## Executive Officers

Garrey E. Carruthers  
*Chancellor*

Daniel J. Howard  
*Executive Vice President and Provost*

Andrew J. Burke  
*Senior Vice President for  
Administration and Finance*

Lizbeth G. Ellis  
*Chief Legal Affairs Officer*

## Business Affairs Officials

D'Anne Stuart  
*Associate Vice President for  
Administration and Finance*

Norma Noel  
*University Controller*

Diane Madrid  
*Interim Business Services Officer*

Paula Pierson  
*Chief Budget Officer*

Nancy Ritter  
*Busar*

Ross Justus  
*Associate Controller*

Carolina Muñoz  
*Manager of Accounting and  
Financial Reporting*

Tina Hales  
*Director of Sponsored Projects  
Accounting*

Kathy Agnew  
*Director of Purchasing and  
Materials Management*

Pamela Roggow  
*Director of Human Resources  
Operations*

October 20, 2017

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 2016. 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 strategies and organizational improvement initiatives.


Directed by the University's Vision 2020 Strategic Plan, we have continued our prudent fiscal management and implemented efficiencies to reduce and reallocate expenditures and continue to effectively utilize our extensive resources. The University's total net position for the FY ended June 30, 2017, after removing the New Mexico Land Grant Permanent Fund as an asset, decreased by approximately \$4 million during a FY of reduced state appropriations and capital spending.

The fiscal challenges for New Mexico were significant in FY 2017. The University's state appropriations were reduced by about \$14.1 million compared to the previous FY. The Transforming NMSU into a 21<sup>st</sup> Century University comprehensive improvement effort has redefined our organizational structure by achieving and identifying operational efficiencies. Through this effort and a focus on the reduction of positions, expenditures were aligned with revenue projections. This realignment allowed for strategic investments in priority areas to serve our University's mission of instruction, research, extension education and public service.

Aggie pride is apparent all over our beautiful campuses as we continue to enhance the learning experiences of students through world-class facilities. We have recently completed renovations to Jett Hall and Rentfrow Hall for the colleges of engineering and education respectively, as well as renovation and improvements at Doña Ana Community College locations.

New Mexico's economic situation has become more stable, and with the continuation of initiatives focused on our strategic goals and vigilant operational management, the University is well positioned to accomplish our mission and meet the needs of our students, researchers, and public service providers. Through collaboration and the combined talents, support and dedication of our Regents, faculty, staff, students and friends, I am confident we have positioned the University to be stronger and better prepared than ever to deliver excellent service to the great people of New Mexico.

Sincerely,



Garrey Carruthers, 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. Timothy Keller, 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, 2017 and 2016, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 the New Mexico State University, as of June 30, 2017 and 2016, 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***

As discussed in Note 2 to the financial statements, the University elected to change its method of accounting for the New Mexico Land Grant Permanent Fund, as of July 1, 2016. Our opinion is 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 Funding Progress and Employer Contributions – Other Post-Employment Benefits (schedule 5), 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 18, 2017 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 18, 2017

**Management's Discussion and Analysis  
For the Year Ended June 30, 2017 and 2016  
(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, 2017 and 2016. 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](mailto:boffice@nmsu.edu).

For the years ended June 30, 2017, 2016 and 2015, the University's financial position was as follows:  
(In thousands)

<b>Condensed Net Position</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
<b>ASSETS</b>			
Current assets	\$ 103,736	\$ 109,860	\$ 96,714
Capital assets, net	502,900	504,968	506,109
Other non-current assets	163,784	226,784	227,908
<b>TOTAL ASSETS</b>	<b>770,420</b>	<b>841,612</b>	<b>830,731</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>70,110</b>	<b>45,437</b>	<b>32,881</b>
<b>LIABILITIES</b>			
Current liabilities	58,067	65,229	71,664
Pension liability	507,688	473,733	431,412
Other non-current liabilities	157,556	166,387	174,474
<b>TOTAL LIABILITIES</b>	<b>723,311</b>	<b>705,349</b>	<b>677,550</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>24,850</b>	<b>22,874</b>	<b>45,877</b>
<b>NET POSITION</b>			
Net investment in capital assets	396,577	390,726	386,895
Restricted	64,187	134,608	120,518
Unrestricted	(368,394)	(366,508)	(367,228)
<b>TOTAL NET POSITION</b>	<b>\$ 92,370</b>	<b>\$ 158,826</b>	<b>\$ 140,185</b>

### **Condensed Revenues, Expenses, and Changes in Net Position**

<b>OPERATING REVENUES</b>			
Federal appropriations, grants, and contracts	\$ 89,478	\$ 90,638	\$ 106,972
Student tuition and fees (net)	67,125	71,294	72,404
Other operating revenues	65,103	64,461	60,572
<b>TOTAL OPERATING REVENUES</b>	<b>221,706</b>	<b>226,393</b>	<b>239,948</b>
<b>OPERATING EXPENSES</b>			
Instruction	147,434	151,325	149,097
Research	86,442	92,090	106,275
Other operating expenses	293,937	295,794	304,540
<b>TOTAL OPERATING EXPENSES</b>	<b>527,813</b>	<b>539,209</b>	<b>559,912</b>
Net operating loss	(306,107)	(312,816)	(319,964)
Non-operating revenues and expenses	278,743	288,807	285,238
Loss before other revenues	(27,364)	(24,009)	(34,726)
Other revenues	23,368	42,650	26,532
Increase (Decrease) in net position	(3,996)	18,641	(8,194)
Net position at beginning of year	158,826	140,185	148,379
Net Effect of Change In Accounting Principle	(62,460)	-	-
<b>Net position at end of year</b>	<b>\$ 92,370</b>	<b>\$ 158,826</b>	<b>\$ 140,185</b>

**Note 1:** Certain reclassifications were made to 2015 information to conform to 2016 presentation.



## 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 \$18.0 million and deferred inflows increased by \$2.0 million.

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

- ✚ Decrease in the investments of \$55.0 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 \$34.0 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 variance in change in net position from the prior year before the net effect of the change in accounting principle related to the removal of the land grant and permanent fund of \$62.5 million include:

- ✚ A decrease in capital revenues of \$18.6 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 \$7.3 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.

### General Overview for 2016 and 2015

In fiscal year 2016, total assets of the institution increased by \$10.9 million, deferred outflows increased by \$12.5 million, liabilities increased by \$27.8 million while deferred inflows decreased by \$23.0 million.

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

- ✚ Increase in accounts receivable of \$4.9 million, or approximately 9% over the prior year.
- ✚ Increases in cash and investments of approximately \$7.9 million.
- ✚ Decrease in unearned revenue of \$6.7 million due primarily to the recognition of revenue on various non-exchange gifts which had previously been deferred.
- ✚ Decrease in long-term liabilities of \$10.4 million, due primarily to principal payments made on outstanding revenue bonds.
- ✚ Increases in the pension liability of \$42.3 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 increase in net position. Additional information related to these changes is discussed in more detail later in this section.

Primary components which added to the \$18.6 million net increase from the prior year include:

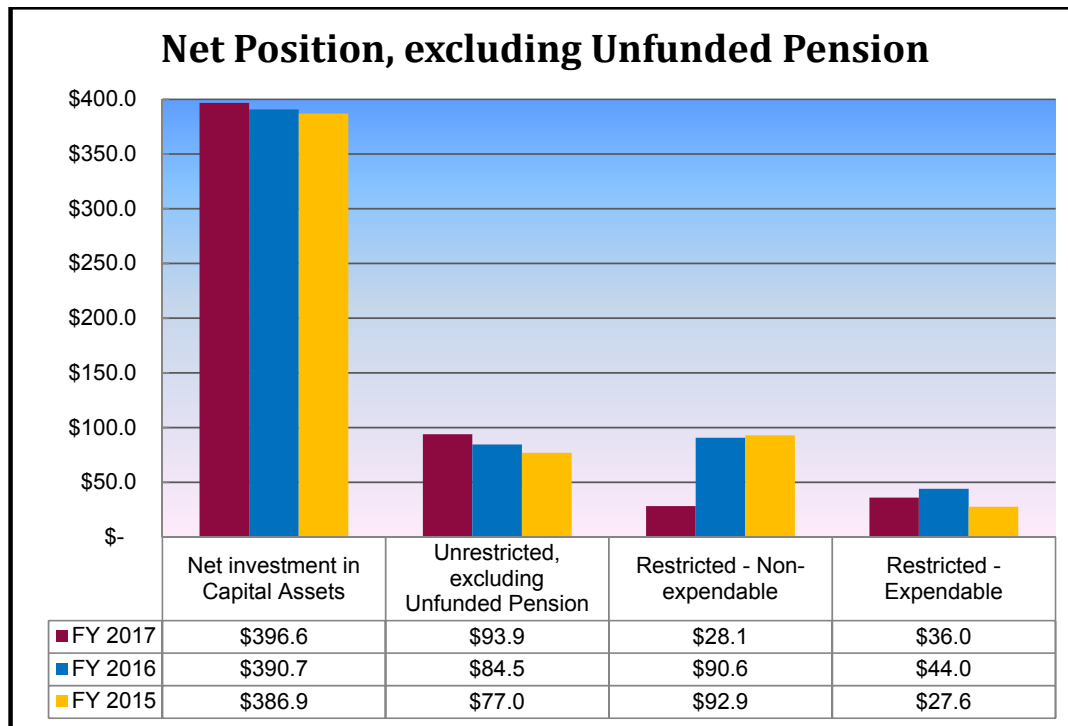
- ✚ A reduction in the net operating loss of \$7.1 million
- ✚ Increase in gifts and non-exchange grants of \$3.2 million resulting from the recognition of previously deferred revenues.
- ✚ Increase in capital appropriations, and capital grants, gifts and other income of \$14.5 million.

These increases were offset in part by the following:

- ✚ A decrease in several revenue sources: Federal Pell grants of \$3.8 million, state lottery scholarship of \$1.5 million, investment income of \$1.8 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. 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 2017, 2016 and 2015. 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 decrease in Restricted – Non-expendable in 2017 was due to the removal of the Land Grant Permanent Fund.



### 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 can be 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.

### Operating Revenues for 2016 and 2015

Net operating revenues declined by \$13.6 million in fiscal year 2016 compared to 2015. The main contributor to the loss was in the federal appropriations, grants and contracts area which was the result of loss of funding for research and student financial aid. Student tuition and fees (net), one of the larger operating revenue sources, decreased by approximately \$1.1 million or 1.5%.

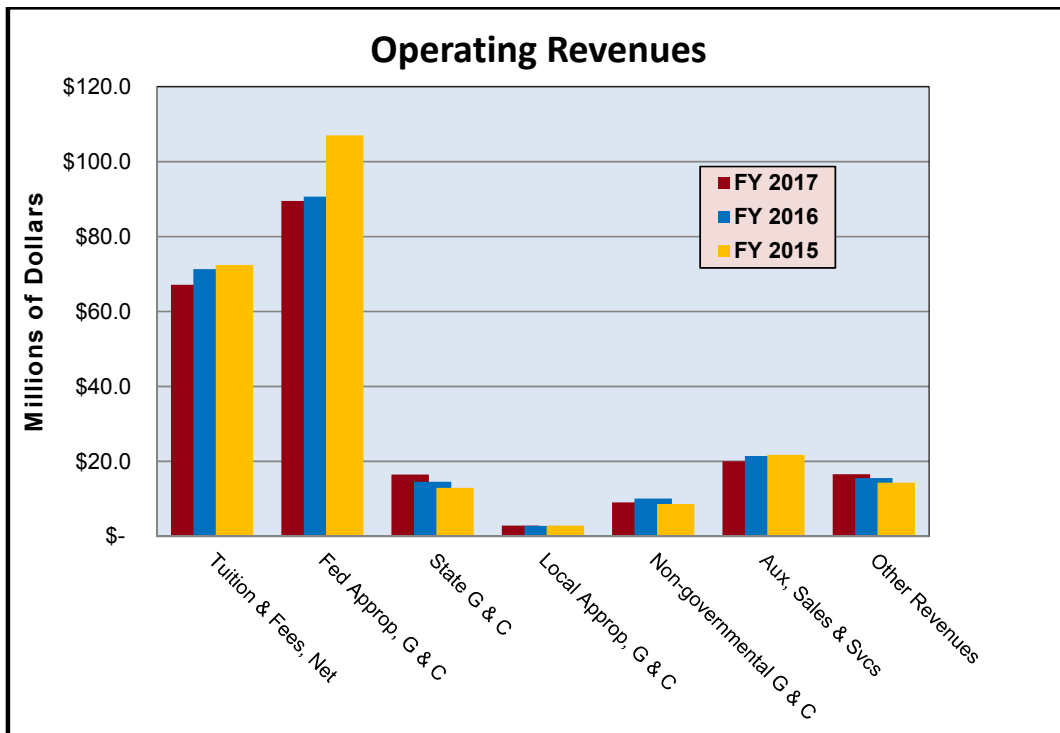
Although enrollment was lower in fiscal year 2016, a modest increase in the tuition rates helped mitigate the loss from the enrollment decline.

The most significant changes in operating revenues were as follows:

- ✚ Decrease in federal appropriations, grants and contracts of \$16.3 million (15.3%). The loss of the *Columbia Space Balloon Facility* contract with NASA resulted in reduced revenues of approximately \$20.1 million from the prior year. This decline was offset in part by a \$5.1 million dollar increase in funding from the Department of Defense for the *Information Operations Vulnerability/Survivability Assessment Program (IOVSA)*.
- ✚ Increase in state grants and contracts of \$1.6 million which can be attributed to the *NM LEAD* grant.
- ✚ A decrease in auxiliary enterprises revenue of \$1.5 million primarily from the housing and Corbett Center units.

The net operating loss for fiscal year 2016 was \$312.8 million and was less than the fiscal year 2015 operating loss of \$319.9 million by \$7.1 million.

The following graph illustrates a comparison of operating revenues (in millions) by type for fiscal years 2017, 2016 and 2015.



### 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 so as to better analyze the remaining expenses. After removing the pension expense allocation, the largest dollar changes in operating expense were as follows:

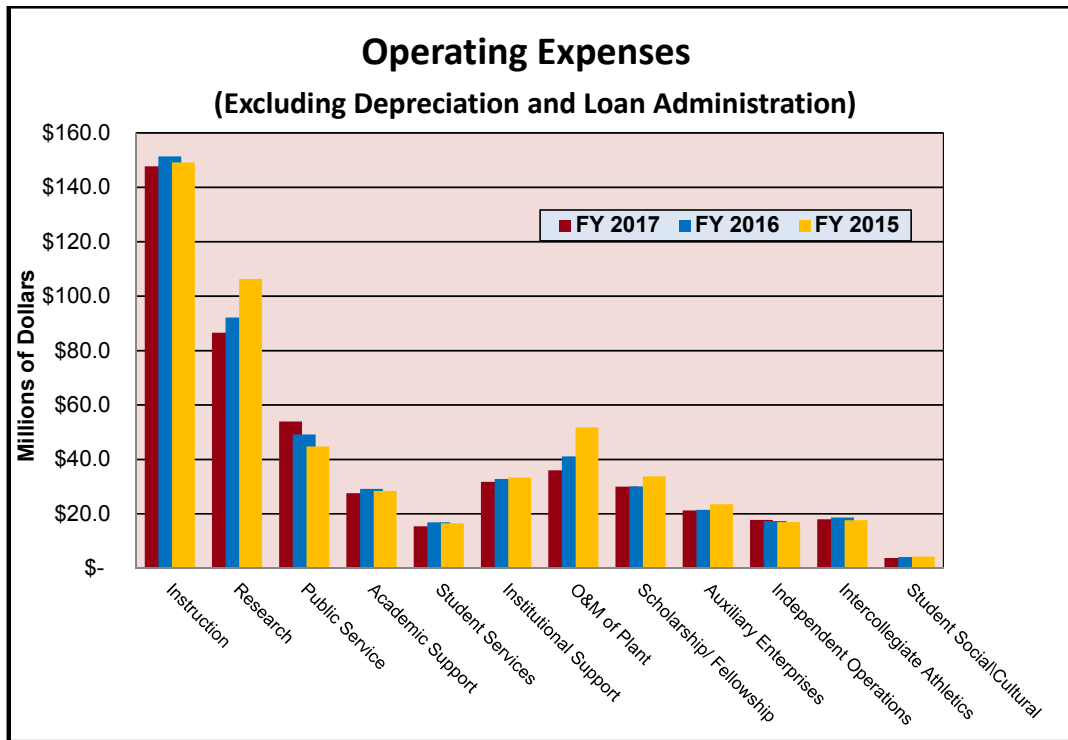
- ✚ A decrease in research expense of \$5.8 million, primarily related to the reduction of Department of Defense awards.
- ✚ A decrease in operation and maintenance of plant expense of \$5.6 million largely attributed to the University's energy performance contract.
- ✚ A decrease in instruction expense 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.

### Operating Expenses for 2016 and 2015

Operating expenses decreased by \$20.7 million in fiscal year 2016 from the prior year. The increase in pension expense and change in deferred inflows and outflows of \$7.4 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 to better analyze the remaining expenses. After removing the pension expense allocation, the largest dollar changes in operating expense were as follows:

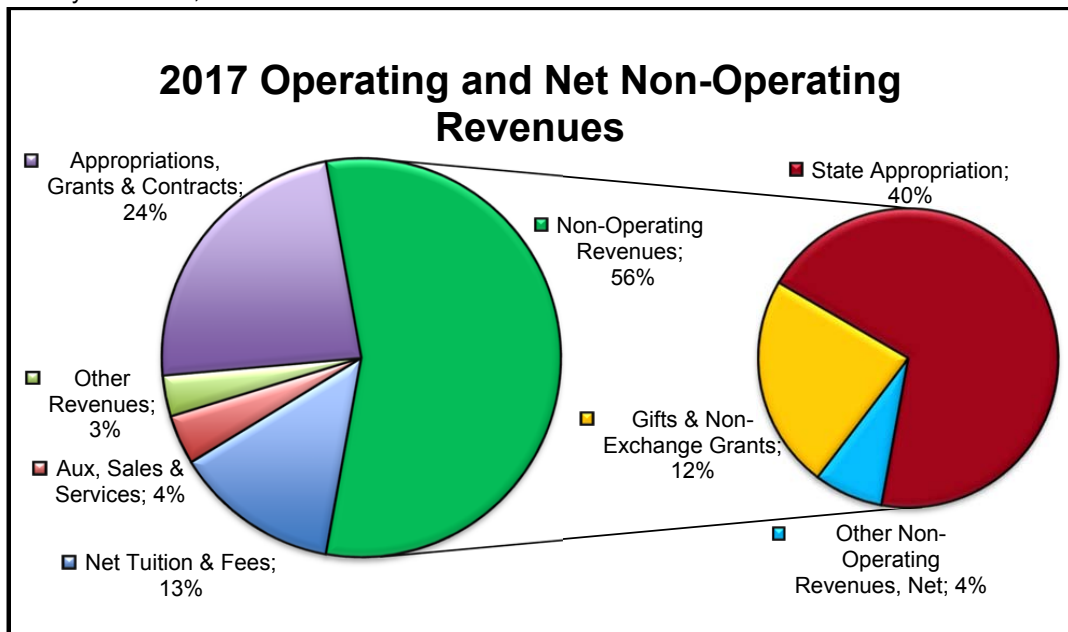
- ✚ A decrease in research expense of \$15.4 million, primarily related to the loss of the CSBF contract mentioned above offset by the IOVA program expenditures.
- ✚ A decrease in operation and maintenance of plant expense of \$11.1 million largely attributed to one-time expenditures made related to the University's energy performance contract in the prior fiscal year.
- ✚ A reduction of scholarships and fellowships expense of \$3.8 million (11.3%). This decrease is due to declines in federal Pell awards resulting from declines in enrollment and a reduction in funding from the New Mexico Lottery scholarship, which can be attributed both to enrollment declines and to a reduction in the percentage of tuition funded.
- ✚ An increase in public service of \$3.8 million, due primarily to the *NM LEAD* grant in the Business College, the *Collaborating for Outstanding Readiness in Education – Results Driven Accountability* grant in the Education College and the SNAP Ed grant in the College of Agricultural, Consumer, and Environmental Sciences. These increases were offset in part by completion of the Abstinence Education grant, *Success with Adolescent Goals* and the Comprehensive Geriatric Education program.

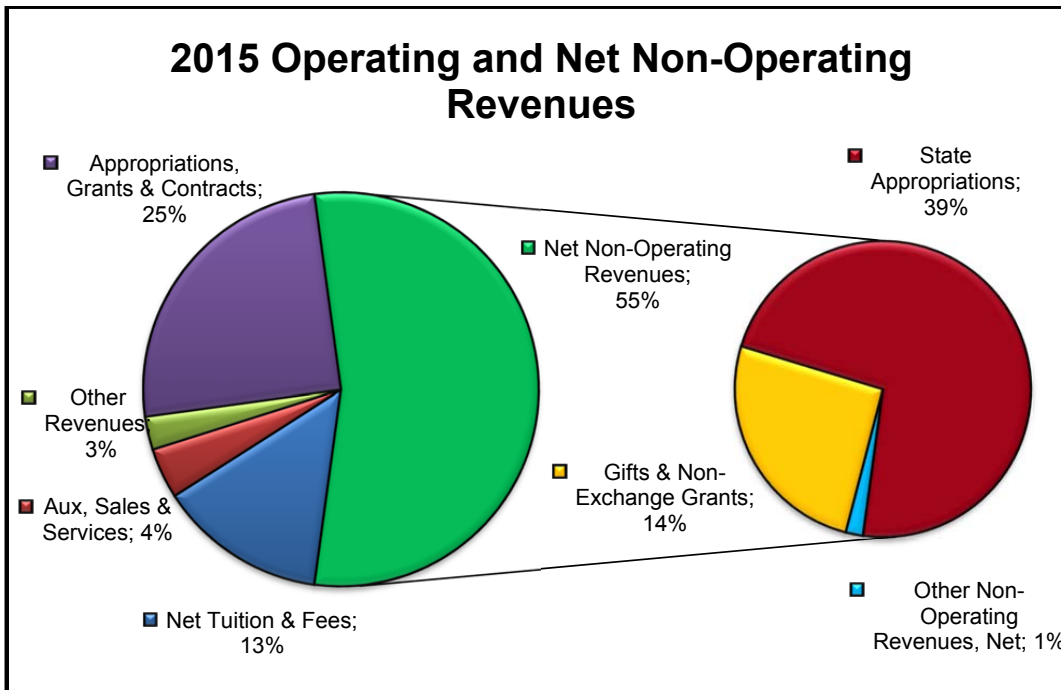
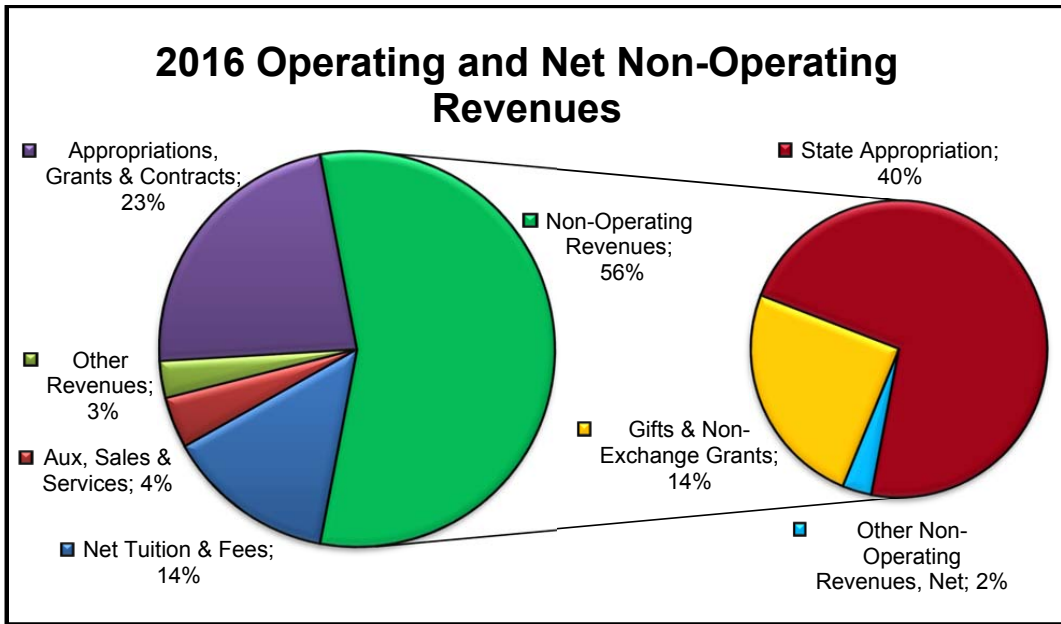
The following graph illustrates a comparison of operating expense (in millions) by function, excluding depreciation and loan administration, for fiscal years 2017, 2016 and 2015.



The Statement of Revenues, Expenses, and Changes in Net Position reflects a net loss before other revenues of \$27.4 million, \$24.0 million and \$34.7 million in fiscal years 2017, 2016 and 2015, respectively.

The following graphs reflect the University's sources of revenue available to meet current operating costs for fiscal years 2017, 2016 and 2015.





#### Capital Asset and Debt Administration

During fiscal year 2017, net capital assets decreased slightly (.4%). The projects that increased capital assets included current period expenditures for construction at Jett Hall (\$7.8 million), Rentfrow Hall (\$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 (\$6.5 million) and capital library purchases (\$3.3 million), which were offset by equipment, library, and software retirements of (\$4.3 million), and net accumulated depreciation of (\$29.3 million). During fiscal year

2017, Moody's Investors Service assigned the University an A1 rating with a stable outlook. The previous assigned rating from Moody's Investors Service was an Aa3.

During fiscal year 2016, net capital assets decreased slightly (.2%). While several capital projects were capitalized during the year, the recording of annual depreciation expense and retirements resulted in a slight overall net decrease. The projects that primarily increased capital assets included current period expenditures for construction at Jett Hall (\$8.5 million), the Hardman and Jacobs Undergraduate Learning Center (\$5.2 million) and the renovation of the Corbett Center Student Union (\$1.7 million). In addition to construction costs, there were increases in capital assets related to capital equipment purchases (\$6.3 million) and capital library purchases (\$3.4 million), offset by equipment, library, and software retirements of (\$6.3 million), and net accumulated depreciation of (\$29.5 million).

### Budget Comparison

In comparing the total original budget to the revised budget for fiscal year 2017, there was a net increase of approximately \$5.0 million in revised budgeted revenue, and an increase of approximately \$14.3 million in revised budgeted expenditures. The significant changes to the revenue budget were increases in other sources of revenue, offset by reductions in state appropriations and tuition and fees revenue. The increase in other sources of revenue were mainly due to adjustments in the capital outlay budgets in anticipation of increased progress on capital projects. The offsetting revenue decreases were the result of a 5% mid-year reduction to higher education state appropriations, which resulted in a \$10.1 million reduction to the NMSU system, as well as decreases in tuition and fees revenue, which were adjusted due to the enrollment decline. The increase in budgeted expenditures relates primarily to the capital outlay budget, which as stated above was increased to allow sufficient expenditure authority for capital projects in process or approaching completion.

Actual revenues earned in fiscal year 2017 were lower than the revised budget by \$27.3 million and actual expenditures were lower than the revised budget by \$50.1 million. The main contributors to the revenue budget variance were federal revenue and other sources (93% of the variance). Contributors to the expense budget variance were in the instruction, research, auxiliary services, capital outlay, and renewals and replacements categories (66% 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 \$1.5 million. The primary source of this increase is in the renewals and replacements area, which is mainly due to the timing difference between the actual revenues, transfers and expenses based on multi-year spending plans. This increase was partially offset by a decrease in instruction and general spending due to decreasing revenues.

### Factors Impacting Future Periods

During the New Mexico 2017 legislative session, the governor vetoed funding for all higher education institutions and the legislative branch. The legislative-passed House Bill 2 would have reduced all of higher education funding by 1% in addition to making the 5% cut from the fiscal year 2017 special session held October 2016, permanent in fiscal year 2018. On May 24, 2017, the legislature convened for a special session to address the line-item vetoes in House Bill 2. The legislature passed bills to restore funding for higher education and the legislative branch to the same level approved in the 2017 regular session two months earlier. The governor signed the bills on May 26, 2017 restoring funding for fiscal year 2018. The final impact on the NMSU system was a reduction of 1.1% from the fiscal year 2017 special session or a 6% reduction from the fiscal year 2017 level.

Through on-going cost cutting strategies, the University identified funds to cover the budget reductions related to state appropriations and enrollment declines for fiscal year 2018. On a positive note, student enrollment for Fall 2017 reflects an 11% increase in first time freshman from Fall 2016, the University's largest increase for first



time freshman in more than 17 years. In addition, there has been some stabilization at the state level with regard to positive trends in revenue projections and reserve balances.

On July 13, 2017, the Regents of New Mexico State University issued \$73,240,000 of refunding and improvement revenue bonds known as Series 2017 A (\$40,740,000) refunding and improvement, Series 2017 B (\$18,975,000) taxable refunding, and Series 2017 C (\$13,525,000) refunding revenue (crossover refunding). Approximately \$32.5 million of the revenue bond proceeds will be used to construct a new residence hall and/or renovate existing residence facilities. The remaining funds will be used to refund existing housing related revenue bonds and debt service.

The University is not aware of any additional facts, decisions, or conditions expected to have a significant effect on the financial position or results of operations during fiscal year 2018, beyond those unknown variations having a global effect on virtually all types of business operations. The University will maintain close oversight of resources to ensure the University's ability to react to any unknown internal and external issues.

# New Mexico State University

## Statements of Net Position

As of June 30, 2017

	University	Discrete Component Unit
<b>ASSETS</b>		
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	3,229,357	125,381
Student loans receivable - current portion, net	1,103,696	-
Total current assets	103,735,657	28,516,775
Non-current assets		
Unrestricted cash and cash equivalents	38,274,357	11,410,763
Restricted cash and cash equivalents	6,319,877	-
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	-
Prepaid expenses and other assets	5,946	187,120
Capital assets, net	502,900,397	59,610
Total non-current assets	666,684,751	170,827,485
<b>TOTAL ASSETS</b>	<b>770,420,408</b>	<b>199,344,260</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	70,110,135	-
<b>LIABILITIES</b>		
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	13,727,356	196,882
Total current liabilities	58,067,268	8,534,353
Non-current liabilities		
Accrued benefit reserves	659,630	-
Held in trust for NMSU	-	39,071,502
Other long-term liabilities	156,896,156	2,518,601
Net pension liability	507,687,518	-
Total non-current liabilities	665,243,304	41,590,103
<b>TOTAL LIABILITIES</b>	<b>723,310,572</b>	<b>50,124,456</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	24,850,193	-
<b>NET POSITION</b>		
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
<b>TOTAL NET POSITION</b>	<b>\$ 92,369,778</b>	<b>\$ 149,219,804</b>

**New Mexico State University**  
**Statements of Net Position**  
**As of June 30, 2016**

	University	Discrete Component Unit
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 14,491,001	\$ 9,784,570
Restricted cash and cash equivalents	12,918,988	-
Cash and cash equivalents held in trust by component unit for NMSU	5,826,453	5,826,453
Cash and cash equivalents held in trust by others	6,926,583	-
Short-term investments	2,755,578	210,374
Accounts receivable, net	55,906,545	7,169,695
Due from component unit	2,031,831	-
Inventories	2,579,496	-
Prepaid expenses	5,163,108	106,349
Student loans receivable - current portion, net	1,260,852	-
Total current assets	109,860,435	23,097,441
Non-current assets		
Unrestricted cash and cash equivalents	33,250,464	-
Restricted cash and cash equivalents	10,655,992	11,063,566
Investments held by others	62,460,343	2,832,745
Investments held in trust by component unit for NMSU	36,344,701	36,344,701
Investments held in trust for others	-	356,899
Other long-term investments	72,716,885	105,248,871
Student loans receivable, net	11,347,665	-
Prepaid expenses and other assets	7,328	186,614
Capital assets, net	504,968,368	142,902
Total non-current assets	731,751,746	156,176,298
<b>TOTAL ASSETS</b>	<b>841,612,181</b>	<b>179,273,739</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	45,436,747	-
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	15,736,285	13,116
Due to NMSU	-	2,031,831
Other accrued liabilities	17,997,480	-
Accrued interest payable	2,014,950	-
Held in trust for NMSU	-	5,826,453
Unearned revenue	9,294,915	494,307
Held in trust by NMSU	7,498,035	-
Long-term liabilities - current portion	12,687,577	208,792
Total current liabilities	65,229,242	8,574,499
Non-current liabilities		
Accrued benefit reserves	659,630	-
Held in trust for NMSU	-	36,344,701
Other long-term liabilities	165,726,950	2,739,732
Net pension liability	473,733,007	-
Total non-current liabilities	640,119,587	39,084,433
<b>TOTAL LIABILITIES</b>	<b>705,348,829</b>	<b>47,658,932</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	22,874,120	-
<b>NET POSITION</b>		
Net investment in capital assets	390,726,152	142,902
Restricted for:		
Non-expendable:		
Endowments	90,576,385	88,740,173
Expendable:		
Endowments	1,838,724	21,013,971
General activities	5,701,685	21,449,802
Federal student loans	17,753,365	-
Capital projects	18,051,147	-
Related entity activities	686,657	-
Unrestricted	(366,508,136)	267,959
<b>TOTAL NET POSITION</b>	<b>\$ 158,825,979</b>	<b>\$ 131,614,807</b>

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

	University	Discrete Component Unit
<b>REVENUES</b>		
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	<u>221,705,585</u>	<u>11,119,676</u>
<b>EXPENSES</b>		
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	<u>527,812,533</u>	<u>12,508,568</u>
Net operating income (loss)	<u>(306,106,948)</u>	<u>(1,388,892)</u>
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 revenues (expenses)	493,981	(272,165)
Net non-operating revenues	<u>278,743,387</u>	<u>13,327,694</u>
Income (loss) before other revenues	<u>(27,363,561)</u>	<u>11,938,802</u>
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	<u>(3,995,858)</u>	<u>17,604,997</u>
<b>NET POSITION</b>		
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	<u>96,365,636</u>	<u>-</u>
End of year	<u>\$ 92,369,778</u>	<u>\$ 149,219,804</u>

**New Mexico State University**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2016**

	University	Discrete Component Unit
<b>REVENUES</b>		
Operating revenues:		
Student tuition and fees (gross)	\$ 111,641,792	\$ -
Less: scholarship allowances	(40,347,585)	-
Student tuition and fees (net)	71,294,207	-
Federal appropriations, grants and contracts	90,637,831	-
State grants and contracts	14,590,177	-
Local appropriations, grants and contracts	2,784,153	-
Non-governmental grants, contracts and gifts	10,087,186	9,279,881
Sales and services	6,269,111	355,879
Auxiliary enterprises (net of scholarship allowances)	15,191,890	-
Other operating revenues	15,538,726	-
Total operating revenues	226,393,281	9,635,760
<b>EXPENSES</b>		
Operating expenses:		
Instruction	151,325,381	-
Research	92,090,234	-
Public service	49,141,698	-
Academic support	29,133,346	-
Student services	16,851,902	-
Institutional support	32,780,883	-
Operation and maintenance of plant	41,135,221	-
Scholarships and fellowships	29,997,863	-
Auxiliary enterprises	21,475,142	-
Independent operations	17,322,820	-
Intercollegiate athletics	18,640,460	-
Student social and cultural	4,115,692	-
Loan administration (net)	(347,703)	-
Depreciation	35,546,359	103,103
Other operating expenses	-	13,406,454
Total operating expenses	539,209,298	13,509,557
Net operating loss	(312,816,017)	(3,873,797)
Non-operating revenues (expenses):		
State appropriations	207,568,589	-
Federal Pell grants	40,989,904	-
State lottery scholarship	16,197,814	-
Local tax levy revenue	12,465,269	-
Gifts and non-exchange grants	13,826,990	-
Investment income (loss)	(4,316,053)	(4,821,000)
Land lease and permanent fund revenue	3,608,100	-
Building fees	3,964,856	-
Loss on disposal of plant	(305,658)	-
Additions to quasi endowments	156,213	-
Interest and other expenses on capital asset-related debt	(5,218,715)	-
Other non-operating expenses	(130,419)	(275,168)
Net non-operating revenues (expenses)	288,806,890	(5,096,168)
Loss before other revenues	(24,009,127)	(8,969,965)
Capital appropriations	36,412,972	-
Capital grants, gifts, and other income	3,347,485	-
Additions to permanent endowments	2,889,958	8,016,376
Increase (decrease) in net position	18,641,288	(953,589)
<b>NET POSITION</b>		
Beginning of year	140,184,691	132,568,396
End of year	\$ 158,825,979	\$ 131,614,807

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

	University
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
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>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
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 revenue	493,984
Net cash provided by non-capital financing activities	<u>268,017,152</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
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 used by capital and related financing activities	<u>(21,023,900)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
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 increase 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>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
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>

**New Mexico State University**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2016**

	University
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees and other student payments received	\$ 71,404,428
Grants and contracts received	109,859,440
Payments to suppliers	(110,879,261)
Payments for travel	(13,450,096)
Payments to employees and for employee benefits	(336,334,147)
Disbursement of net aid to students	(32,602,883)
Receipts from sales, services, and auxiliary enterprises	17,964,026
Other operating revenues	16,743,734
Net cash used by operating activities	<u>(277,294,759)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State appropriations	207,568,589
Gifts and grants for other than capital purposes	71,014,708
Tax levy revenue	12,465,269
Private gifts for endowment	3,592,353
Other non-operating expense	(130,419)
Net cash provided by non-capital financing activities	<u>294,510,500</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from capital debt and leases	75,627
Proceeds held by NM Finance Authority - general obligation bonds	6,926,583
Capital gifts, grants and contracts	32,833,874
Purchases/construction/renovation of capital assets	(34,711,367)
Principal paid on capital debt and leases	(12,135,910)
Interest and fees paid on capital debt and leases	(4,999,355)
Building fees received from students	3,964,856
Net cash used by capital and related financing activities	<u>(8,045,692)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales and maturities of investments	62,835,000
Proceeds held in trust by NMSU Foundation	2,320,156
Interest on investments	2,542,664
Purchase of investments	(70,358,536)
Realized gain on investments	9,500
Net cash used by investing activities	<u>(2,651,216)</u>
Net increase in cash and cash equivalents	6,518,833
Cash and cash equivalents - beginning of year	77,550,648
Cash and cash equivalents - end of year	<u>\$ 84,069,481</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (312,816,017)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	35,546,359
Change in assets and liabilities:	
Increase in accounts receivable	(5,286,801)
Increase in prepaid expenses	(415,770)
Decrease in inventory	23,950
Decrease in loans receivable	1,571,325
Increase in accounts payable and other accrued liabilities	2,455,027
Decrease in unearned revenue	(6,679,394)
Increase in held in trust by NMSU	1,544,542
Increase in net pension liability and related deferred inflows and outflows of resources	6,762,020
Net cash used by operating activities	<u>\$ (277,294,759)</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 meet the materiality threshold that requires 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.

**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 acquired after July 1, 2005, is \$5,000; for equipment acquired prior to that date, the threshold was \$1,000. Software is capitalized at \$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, 2017 and 2016. 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 year ended June 30, 2017 and 2016.

**Non-Current Liabilities.** Non-current liabilities, within other long-term liabilities, includes principal amounts of revenue bonds payable, contracts payable, 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:* Until June 30, 2016, regular full-time exempt and non-exempt employees earned annual leave at a rate of 22 working days per year. Effective July 1, 2016 the maximum annual leave that can be earned by employees 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(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. There were no violations in fiscal years 2017 and 2016. 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.

**Student Loans Receivable.** Student loans receivable are shown net of allowance for doubtful accounts in the accompanying Statements of Net Position. Federal Perkins Loans make up approximately 99% of the student loans receivable at June 30, 2017 and 2016. 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.

**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.

**Reclassifications.** Certain amounts in the 2016 financial statements and notes thereto have been reclassified to conform to 2017 financial statement presentation.

### **Change in Accounting Principle**

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:

<b>University Reconciliation of Net Position</b>	
	<b>Total Net Position</b>
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, certificates of deposit, 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, 2017 and 2016, the University owned 321,360 and 333,831 shares which represented 25.90% and 26.44% of the total shares in the pool, respectively. The fair value per share as of June 30, 2017 and 2016 was \$134.42 and \$119.79, 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, 2017 and 2016.

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, 2017 and 2016, 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, 2017 and 2016. The Foundation's short-term investments in marketable securities consisted entirely of U.S Government and Agency securities and certificates of deposit at June 30, 2017 and 2016.

Endowment investments were \$39,071,502 and \$98,805,044 at June 30, 2017 and 2016, 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. A large portion of the reduction from 2016 to 2017 relates to the removal of the LGPF as discussed in Note 2.

At June 30, 2017 and 2016, the investments of the University and its Discrete Component Unit consisted of the following:

	2017 Fair Value	2016 Fair Value
<b>University</b>		
U.S. Agency and Treasury Securities	\$ 75,422,734	\$ 67,937,700
Municipal Securities	-	251,322
Certificates of Deposit	4,269,311	6,820,427
Domestic Equity Securities	523,952	463,014
Land Grant Permanent Fund	-	62,460,343
Pooled Investments Held by Others		
U.S. Government and Agency Securities	441,016	779,212
Mortgage Backed Securities	1,515,793	2,646,877
Domestic Corporate Stocks and Bonds	18,906,372	18,544,281
Foreign Corporate Stocks	7,408,103	5,198,213
Limited Partnerships	10,100,918	9,032,006
Land and Building	699,300	144,112
Total Investments	<u>\$ 119,287,499</u>	<u>\$ 174,277,507</u>
<b>Foundation</b>		
U.S. Government and Agency Securities	\$ 1,230,891	\$ 2,104,766
Mortgage Backed Securities	4,336,691	7,307,903
Corporate Stocks and Bonds	80,354,970	70,454,761
Alternative Investments	28,898,765	24,936,950
Other Investments	2,416,865	654,865
Total Investments	<u>\$ 117,238,182</u>	<u>\$ 105,459,245</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, 2017 and 2016 are as follows:

	2017	2016
Balance of the University's beneficial interest as of June 30	\$67,587,571	\$62,460,343
Income received from the University's beneficial interest in the LGPF for the period ending June 30	\$ 2,716,981	\$ 2,822,331

**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, 2017 and 2016.

	2017	2016
Equities	78 %	76 %
Fixed income	4 %	7 %
Cash and cash equivalents	16 %	16 %
Investments not securities	2 %	1 %
	<u>100 %</u>	<u>100 %</u>

**Collateralization of Deposits.** At June 30, 2017 and 2016, the recorded values of the University's cash and time deposits with financial institutions were \$55,327,464 and \$58,313,761, respectively. Bank balances, which differ from the reported values due to reconciling items, are categorized and presented in the following table:

	2017	2016
<b>University</b>		
Amount insured by the Federal Deposit Insurance Corporation (FDIC)	\$ 829,085	\$ 803,678
Amount collateralized with securities held by the pledging financial institution	<u>57,407,165</u>	<u>60,536,174</u>
Uncollateralized		
Total cash and time deposit bank balances	58,236,250	61,339,852
Reconciling Items:		
Add: cash equivalents	9,077,945	13,002,685
Add: cash equivalents held by others	12,958,424	12,753,036
Less: other reconciling items	<u>(2,908,786)</u>	<u>(3,026,092)</u>
Total reported cash balance	<u>\$77,363,833</u>	<u>\$84,069,481</u>
<b>Foundation</b>		
Amount insured by the FDIC	\$ 500,000	\$ 500,000
Amount in excess of FDIC, Lloyd's of London and Security Investor Protection Corporation (SIPC)	20,386,547	17,948,136
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>\$23,286,547</u>	<u>\$20,848,136</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
<b>First National Bank of Alamogordo</b>				
Operational	Checking	\$ 63,923	\$ -	\$ 63,923
Operational	Debt Service	451,856	-	451,856
<b>Grants State Bank</b>				
Operational	Checking	22,551	-	22,551
<b>Wells Fargo Bank of New Mexico</b>				
Operational	Checking	-	(2,726,755)	(2,726,755)
Operational	Student ACH	-	9,132	9,132
Operational	Direct Loan	-	-	-
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
<b>Wells Fargo Advisors</b>				
Operational	Money Market	-	-	-
<b>Western Commerce Bank of Carlsbad</b>				
Operational	Checking	21,157	-	21,157
Operational	Deposit	4,263	210	4,473
<b>Cash on Hand</b>				
Cash on Hand	Cash	-	42,311	42,311
<b>Citizen's Bank of Las Cruces</b>				
Certificate of Deposit	Time Deposit	31,113	-	31,113
<b>New Mexico Finance Authority</b>				
General Obligation Bond Proceeds	Money Market	6,619,165	-	6,619,165
<b>Federated Investment Manager</b>				
Dividend Reinvestment	Money Market	6,326,128	-	6,326,128
<b>New Mexico State University Foundation, Inc.</b>				
NMSU Endowments	Cash	6,339,259	-	6,339,259
<b>Total Cash and Cash Equivalents</b>		<u>\$ 80,272,619</u>	<u>\$ (2,908,786)</u>	<u>\$ 77,363,833</u>

The following table provides information on the University's cash and cash equivalents at June 30, 2016:

Account	Type of Account	Financial Institution Balance	Reconciling Items	Book Balance
<b>First National Bank of Alamogordo</b>				
Operational	Checking	\$ 64,442	\$ (100)	\$ 64,342
Operational	Debt Service	567,372	-	567,372
<b>Grants State Bank</b>				
Operational	Checking	8,116	(1,713)	6,403
<b>Wells Fargo Bank of New Mexico</b>				
Operational	Checking	-	(2,901,445)	(2,901,445)
Operational	Student ACH	-	5,839	5,839
Operational	Direct Loan	-	-	-
Operational	General	-	38,347	38,347
Operational	Payroll	-	(269,158)	(269,158)
Operational	Credit Card	-	55,397	55,397
Operational	Debt Service	5,282,378	-	5,282,378
Operational	Deposit	-	3,360	3,360
Project Funds	Savings-2014 Note	145,383	-	145,383
Operational	Savings	38,237,696	-	38,237,696
Operational	Cash Management	16,988,903	-	16,988,903
Operational	Money Market	2,851,380	-	2,851,380
<b>Wells Fargo Advisors</b>				
Operational	Money Market	16	-	16
<b>Western Commerce Bank of Carlsbad</b>				
Operational	Checking	6,144	(1,199)	4,945
Operational	Deposit	8,309	2,473	10,782
<b>Cash on Hand</b>				
Cash on Hand	Cash	-	42,107	42,107
<b>Citizen's Bank of Las Cruces</b>				
Certificate of Deposit	Time Deposit	31,110	-	31,110
<b>New Mexico Finance Authority</b>				
General Obligation Bond Proceeds	Money Market	6,926,583	-	6,926,583
<b>Federated Investment Manager</b>				
Dividend Reinvestment	Money Market	10,151,288	-	10,151,288
<b>New Mexico State University Foundation, Inc.</b>				
NMSU Endowments	Cash	5,826,453	-	5,826,453
<b>Total Cash and Cash Equivalents</b>		<u>\$ 87,095,573</u>	<u>\$ (3,026,092)</u>	<u>\$ 84,069,481</u>

The following table provides 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
<b>FTN Financial</b>				
U.S. Agency Securities	Investment	28,600,429	-	28,600,429
<b>Wells Fargo Advisors</b>				
Domestic Equity Securities	Investment	248,803	-	248,803
<b>Raymond James</b>				
U.S. Agency Securities	Investment	21,200,464	-	21,200,464
<b>Wells Fargo</b>				
Certificate of Deposit	Investment	4,269,311	-	4,269,311
<b>Wells Fargo</b>				
U.S. Agency Securities	Investment	25,558,846	-	25,558,846
<b>Forensic Testing and Laboratory</b>				
Domestic Equity Securities	Investment	32,427	-	32,427
<b>Eberhardt Memorial</b>				
Domestic Equity Securities	Investment	2,495	-	2,495
<b>Principal Funds</b>				
Domestic Equity Securities	Investment	203,648	-	203,648
<b>Franklin Templeton</b>				
Domestic Equity Securities	Investment	36,579	-	36,579
<b>Legacy Treasury Direct</b>				
U.S. Agency Securities	Investment	62,995	-	62,995
<b>New Mexico State University Foundation, Inc.</b>				
NMSU Endowments	Investment	39,071,502	-	39,071,502
<b>Total investments</b>		<u>\$ 119,287,499</u>	<u>\$ -</u>	<u>\$ 119,287,499</u>

The following table provide information on the the University's investments, including reconciling items, at June 30, 2016.

Account	Type of Account	Financial Institution Balance	Reconciling Items	Book Balance
<b>FTN Financial</b>				
U.S. Agency Securities	Investment	23,981,022	-	23,981,022
<b>Wells Fargo Advisors</b>				
Domestic Equity Securities	Investment	216,948	-	216,948
<b>Raymond James</b>				
U.S. Agency Securities	Investment	23,010,150	-	23,010,150
<b>Wells Fargo</b>				
Certificate of Deposit	Investment	6,820,427	-	6,820,427
<b>Wells Fargo</b>				
Municipal Securities	Investment	251,323	-	251,323
<b>Wells Fargo</b>				
U.S. Agency Securities	Investment	20,881,000	-	20,881,000
<b>Forensic Testing and Laboratory</b>				
Domestic Equity Securities	Investment	32,427	-	32,427
<b>Eberhardt Memorial</b>				
Domestic Equity Securities	Investment	2,495	-	2,495
<b>Principal Funds</b>				
Domestic Equity Securities	Investment	177,066	-	177,066
<b>Franklin Templeton</b>				
Domestic Equity Securities	Investment	34,078	-	34,078
<b>Legacy Treasury Direct</b>				
U.S. Treasury Securities	Investment	65,527	-	65,527
<b>New Mexico State Investment Council</b>				
Permanent Land Fund	Investment	62,460,343	-	62,460,343
<b>New Mexico State University Foundation, Inc.</b>				
NMSU Endowments	Investment	36,344,701	-	36,344,701
<b>Total investments</b>		<u>\$ 174,277,507</u>	<u>\$ -</u>	<u>\$ 174,277,507</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
<b>Wells Fargo Bank of New Mexico</b>				
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
<b>Citizens Bank of Las Cruces</b>				
Program	Money Market	1,006,215	-	1,006,215
<b>Merrill Lynch</b>				
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)
<b>Total Cash and Cash Equivalents</b>		<u>\$ 23,244,999</u>	<u>\$ 41,548</u>	<u>\$ 23,286,547</u>
Corporate Stocks and 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
<b>Real Estate Holdings</b>				
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
<b>Total Investments</b>		<u>\$ 117,238,182</u>	<u>\$ -</u>	<u>\$ 117,238,182</u>

Information on the Foundation's cash and cash equivalents and deposit accounts and investments, including reconciling items, at June 30, 2016, is provided below:

Account	Type of Account	Financial Institution Balance	Reconciling Items	Book Balance
<b>Wells Fargo Bank of New Mexico</b>				
Operations Program	Checking	\$ 162,948	\$ (416)	\$ 162,532
Program	ACH	28,048	-	28,048
Program	Checking	3,831,961	1,436	3,833,397
Program	Transfer	76,605	-	76,605
<b>Citizens Bank of Las Cruces</b>				
Program	Certificate of Deposit	1,001,835	-	1,001,835
<b>Merrill Lynch</b>				
Operations Program	Checking	1,386,307	-	1,386,307
Program	Money Market	5,031,184	-	5,031,184
Program-Cash Gift Annuity	Checking & Money Market	105,781	(9,623)	96,158
Program-Private Equity	Checking & Money Market	76,913	-	76,913
Time Deposit - Non-Negotiable	Certificate of Deposit	101,506	-	101,506
Less Cash Allocated to NMSU for AHIT (Program)	Held in Trust	(1,838,724)	-	(1,838,724)
Investment cash - Merrill Lynch Managers:				
Hedge Access	Money Market	66	-	66
Eagle TMA	Money Market	860,933	-	860,933
Cambiar Intl Value	Money Market	266,440	-	266,440
Earnest SCV	Money Market	119,988	-	119,988
NWQ	Money Market	234,513	-	234,513
APEX	Money Market	294,522	-	294,522
Futures Access	Money Market	124	-	124
Invesco	Money Market	656,048	-	656,048
Short Term Investment Fund	Money Market	4,612,894	-	4,612,894
NFJ Allianz	Money Market	9,090	-	9,090
Eagle LCV	Money Market	225,130	-	225,130
Armstrong	Money Market	6,122,287	-	6,122,287
Western	Money Market	822,403	-	822,403
Title V	Money Market	57,872	-	57,872
ALTA	Money Market	47,868	-	47,868
Cohen and Steers	Money Market	283,920	-	283,920
ALT Investments	Money Market	4,782	-	4,782
Santa Barbara	Money Market	176,333	-	176,333
Loomis - TMA	Money Market	77,663	-	77,663
NMSU Business College	Money Market	7,228	-	7,228
Less Cash Allocated to NMSU for AHIT	Held in Trust	(3,987,729)	-	(3,987,729)
<b>Total Cash and Cash Equivalents</b>		<b>\$ 20,856,739</b>	<b>\$ (8,603)</b>	<b>\$ 20,848,136</b>
Corporate Bonds	Investment	\$ 4,280,130	-	\$ 4,280,130
Equity Securities	Investment	49,194,033	-	49,194,033
U.S. Government and Agency Securities	Investment	2,104,766	-	2,104,766
Mortgage Backed Securities	Investment	4,776,568	-	4,776,568
Mortgage Backed Securities - Foreign	Investment	2,531,335	-	2,531,335
Limited Partnerships - Alternative	Investment	24,936,950	-	24,936,950
Mutual Funds	Investment	16,980,598	-	16,980,598
<b>Real Estate Holdings</b>				
Real Estate Holdings	Investment	397,888	-	397,888
Short-term Investments	Investment	210,374	-	210,374
Accrued Investment Interest	Investment	46,603	-	46,603
<b>Total Investments</b>		<b>\$ 105,459,245</b>	<b>\$ -</b>	<b>\$105,459,245</b>

**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, 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
<b>University</b>					
U.S. agency securities	\$ 75,359,739	\$ 7,784,803	\$ 67,574,936	\$ -	\$ -
Municipal securities	-	-	-	-	-
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	-	-
Domestic 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>
<b>Items not subject to interest rate risk:</b>					
Equity securities	523,952				
Pooled Investments					
Domestic equity securities	18,356,262				
Foreign equity securities	7,408,103				
Limited partnerships	10,100,918				
Land and building (Investments not securities)	699,300				
Total Investments	<u>\$119,287,499</u>				
<b>Foundation</b>					
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>
<b>Items not subject to interest rate risk:</b>					
Corporate stocks	78,781,100				
Alternative investments	28,898,765				
Other investments	2,416,865				
Total Investments	<u>\$117,238,182</u>				



A summary of the investments at June 30, 2016, 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
<b>University</b>					
U.S. agency securities	\$ 67,872,173	\$ -	\$ 67,872,173	\$ -	\$ -
Municipal securities	251,322	251,322	-	-	-
U.S. Treasury securities	65,527	-	65,527	-	-
Certificate of deposit	6,820,427	2,504,255	4,316,172	-	-
Pooled Investments					
US government and agency securities	779,212	-	427,126	-	352,086
Mortgage-backed securities	2,646,877	-	2,646,877	-	-
Domestic corporate bonds	825,017	82,245	173,125	263,119	306,528
	<u>79,260,555</u>	<u>\$ 2,837,822</u>	<u>\$ 75,501,000</u>	<u>\$ 263,119</u>	<u>\$ 658,614</u>
<b>Items not subject to interest rate risk:</b>					
Permanent land fund	62,460,343				
Equity securities	463,014				
Pooled Investments					
Domestic equity securities	17,719,264				
Foreign equity securities	5,198,213				
Limited partnerships	9,032,006				
Land and building (Investments not securities)	144,112				
Total Investments	<u>\$174,277,507</u>				
<b>Foundation</b>					
U.S. government and agency securities	\$ 2,104,766	\$ -	\$ 1,124,427	\$ -	\$ 980,339
Corporate bonds	2,277,713	-	705,027	726,420	846,266
Mortgage-backed securities	7,307,903	-	7,307,903	-	-
		<u>\$ -</u>	<u>\$ 9,137,357</u>	<u>\$ 726,420</u>	<u>\$ 1,826,605</u>
<b>Items not subject to interest rate risk:</b>					
Corporate stocks	68,177,048				
Alternative investments	24,936,950				
Other investments	654,865				
Total Investments	<u>\$105,459,245</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, 2017, and their exposure to credit risk follows:

	Rating	Fair Value
<b>University</b>		
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	S&P/Moody's - AA+/Aaa	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
Domestic corporate bonds	Aaa	550,110
Foreign equity securities	Not rated	7,408,103
Limited partnerships	Not rated	10,100,918
Land and building (investments not securities)	Not rated	699,300
<b>Total Investments</b>		<u>\$ 119,287,499</u>
<b>Foundation</b>		
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
Corporate 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
Alternative investments	Not rated	28,898,765
Other investments (real estate and accrued investment interest)	Not rated	2,416,865
<b>Total Investments</b>		<u>\$ 117,238,182</u>

A summary of the investments at June 30, 2016, and their exposure to credit risk follows:

	Rating	Fair Value
<b>University</b>		
U.S. agency securities	S&P/Moody's - AA+/Aaa	\$ 67,872,173
Municipal securities	Moody's--A1	251,322
Certificates of deposits	Federally insured	6,750,000
Certificates of deposits	Subject to custodial credit risk	70,427
U.S. treasury securities	Not rated	65,527
Domestic equity securities	Not rated	463,014
Land grant permanent fund	Not rated	62,460,343
Pooled Investments		
U.S. government and agency securities	Aaa	779,212
Mortgage-backed securities	AAA	2,646,877
Domestic equity securities	Not rated	17,719,264
Domestic corporate bonds	Aaa	825,017
Foreign equity securities	Not rated	5,198,213
Limited partnerships	Not rated	9,032,006
Land and building (investments not securities)	Not rated	144,112
<b>Total Investments</b>		<u><u>\$ 174,277,507</u></u>
<b>Foundation</b>		
U.S. government and agency securities	Moody's---Aaa	\$ 1,625,432
Corporate bonds	A1	193,608
Corporate bonds	A2	346,758
Corporate bonds	A3	921,234
Corporate bonds	BAA1	558,167
Corporate bonds	BAA2	257,978
Domestic equity securities	Not rated	37,323,727
Mutual funds	Not rated	16,980,598
Foreign equity securities	Not rated	14,352,025
Mortgage-backed Securities	AAA	7,307,903
Alternative investments	Not rated	24,936,950
Other investments (real estate and accrued)		
Investment interest)	Not rated	654,865
<b>Total Investments</b>		<u><u>\$ 105,459,245</u></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 that 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, 2017 and 2016, total bank balances of the University were \$67,314,195 and \$74,342,537, 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 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.

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
<b>Debt Securities</b>				
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	-
<b>Total Debt Securities</b>	<u>79,692,045</u>	<u>62,995</u>	<u>79,629,050</u>	<u>-</u>
<b>Equity Securities</b>				
Common	450,871	450,871	-	-
Preferred	73,081	73,081	-	-
<b>Total Equity Securities</b>	<u>523,952</u>	<u>523,952</u>	<u>-</u>	<u>-</u>
<b>Total Investments by Fair Value Level</b>	<u>80,215,997</u>	<u>\$ 586,947</u>	<u>\$ 79,629,050</u>	<u>\$ -</u>
<b>Investments held by Foundation</b>				
Equity securities	\$ 18,356,261	\$ 18,356,261	\$ -	\$ -
Foreign equity securities	7,408,103	7,408,103	-	-
Mortgage backed securities	1,505,007	-	1,505,007	-
Corporate bonds	550,111	-	550,111	-
U.S. government and agency securities	441,016	-	441,016	-
Land and buildings	699,300	-	-	699,300
<b>Total investments Held by Foundation by Fair Value Level</b>	<u>28,959,798</u>	<u>\$ 25,764,364</u>	<u>\$ 2,496,134</u>	<u>\$ 699,300</u>
<b>Investments Held by Foundation measured by NAV</b>				
		<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
<b>Hedge Fund Investments</b>				
Multi-strategy	\$ 7,477,736	\$ -	Monthly	45 Days
Equity long/short	1,811,126	549,981	Monthly	30 Days
<b>Total Hedge Fund Investments</b>	<u>9,288,862</u>	<u>549,981</u>		
<b>Domestic Venture Capital Investments</b>				
Venture capital	812,056	-		
<b>Total Domestic Venture Capital Investments</b>	<u>812,056</u>	<u>-</u>	None	None
<b>Total Investments Held by Foundation measured by NAV</b>	<u>10,100,918</u>	<u>\$ 549,981</u>		
<b>Other Investments held by Foundation</b>				
Accrued interest income	10,786			
<b>Total Investments</b>	<u>\$ 119,287,499</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, 2016.

2016	Balance as of June 30, 2016	Quoted Prices in Active Markets For Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<b>Debt Securities</b>				
U.S. treasury securities	\$ 65,526	\$ 65,526	\$ -	\$ -
Agency securities (GSEs)	67,872,173	-	67,872,173	-
Municipal securities	251,323	-	251,323	-
Certificate of deposit (NCD)	6,820,427	-	6,820,427	-
<b>Total Debt Securities</b>	<u>75,009,449</u>	<u>65,526</u>	<u>74,943,923</u>	<u>-</u>
<b>Equity Securities</b>				
Common	425,204	425,204	-	-
Preferred	37,810	37,810	-	-
<b>Total Equity Securities</b>	<u>463,014</u>	<u>463,014</u>	<u>-</u>	<u>-</u>
<b>Total Investments by Fair Value Level</b>	<u>75,472,463</u>	<u>\$ 528,540</u>	<u>\$ 74,943,923</u>	<u>\$ -</u>
<b>Other University Investments</b>				
Permanent land fund - State of New Mexico	<u>62,460,343</u>			
<b>Investments held by Foundation</b>				
Equity securities	\$ 17,719,264	\$ 17,719,264	\$ -	\$ -
Foreign equity securities	5,198,213	5,198,213	-	-
Mortgage backed securities	2,629,998	-	2,629,998	-
Corporate bonds	825,017	-	825,017	-
U.S. government and agency securities	779,212	-	779,212	-
Land and buildings	144,112	-	144,112	-
<b>Total investments Held by Foundation by Fair Value Level</b>	<u>27,295,816</u>	<u>\$ 22,917,477</u>	<u>\$ 4,378,339</u>	<u>\$ -</u>
<b>Investments Held by Foundation measured by NAV</b>				
		<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
<b>Hedge Fund Investments</b>				
Multi-strategy	\$ 6,816,031	\$ -	Monthly	45 Days
Equity long/short	1,723,268	959,863	Monthly	30 Days
Emerging markets/managed futures	29,072	-	Quarterly	45 Days
<b>Total Hedge Fund Investments</b>	<u>8,568,371</u>	<u>959,863</u>		
<b>Domestic Venture Capital Investments</b>				
Venture capital	463,635	-		
<b>Total Domestic Venture Capital Investments</b>	<u>463,635</u>	<u>-</u>	None	None
<b>Total Investments Held by Foundation measured by NAV</b>	<u>9,032,006</u>	<u>\$ 959,863</u>		
<b>Other Investments held by Foundation</b>				
Accrued interest income	16,879			
<b>Total Investments</b>	<u>\$ 174,277,507</u>			

**Note 4 – Accounts Receivable and Unearned Revenue**

Accounts receivable consists of the following at June 30, 2017 and 2016:

	2017	2016
<b>University</b>		
Student tuition and fees	\$ 48,380,978	\$ 46,025,280
Federal, state, and private grants and contracts	34,318,807	34,395,832
Other	5,558,966	8,221,980
Due from Component Unit	1,500,977	2,031,831
Less: allowance for doubtful accounts	<u>(35,452,648)</u>	<u>(32,736,547)</u>
Net accounts receivable	<u>\$ 54,307,080</u>	<u>\$ 57,938,376</u>
<b>Foundation</b>		
Net miscellaneous accounts receivable	<u>\$ 9,791,044</u>	<u>\$ 7,169,695</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, 2017 and 2016:

	2017	2016
<b>University</b>		
Student tuition and fees	\$ 1,265,063	\$ 1,066,016
Federal, state, and private grants and contracts	6,982,733	7,499,974
Other	<u>218,976</u>	<u>728,925</u>
Total unearned revenue	<u>\$ 8,466,772</u>	<u>\$ 9,294,915</u>
<b>Foundation</b>		
Total unearned revenue	<u>\$ 430,356</u>	<u>\$ 494,307</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, 2017, were as follows:

	Balance July 1 2016	Additions	Transfers	Retirements	Balance June 30 2017
<b>University</b>					
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>
<b>Capital asset summary:</b>					
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>
<b>Foundation</b>					
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>\$ 142,902</u>	<u>\$ (83,292)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,610</u>

Changes in capital asset balances for the year ended June 30, 2016, were as follows:

	Balance July 1 2015	Additions	Transfers	Retirements	Balance June 30 2016
<b>University</b>					
Capital assets not depreciated:					
Land and land improvements	\$ 10,696,079	\$ -	\$ -	\$ -	\$ 10,696,079
Construction in progress	35,997,466	23,645,641	(42,691,933)	-	16,951,174
Total capital assets not being depreciated	<u>\$ 46,693,545</u>	<u>\$ 23,645,641</u>	<u>\$ (42,691,933)</u>	<u>\$ -</u>	<u>\$ 27,647,253</u>
Capital assets being depreciated:					
Buildings	\$ 697,528,475	\$ 1,193,770	\$ 39,686,305	\$ (41,309)	\$ 738,367,241
Infrastructure	77,142,757	72,675	3,005,628	-	80,221,060
Equipment	125,543,817	6,267,781	-	(5,995,979)	125,815,619
Software	14,810,865	184,957	-	(51,767)	14,944,055
Library books	79,509,070	3,346,543	-	(236,644)	82,618,969
Total other capital assets	<u>994,534,984</u>	<u>11,065,726</u>	<u>42,691,933</u>	<u>(6,325,699)</u>	<u>1,041,966,944</u>
Less accumulated depreciation for:					
Buildings	(328,839,169)	(20,673,734)	-	41,344	(349,471,559)
Infrastructure	(43,177,758)	(3,101,133)	-	-	(46,278,891)
Equipment	(95,262,816)	(7,042,734)	-	5,703,897	(96,601,653)
Software	(10,655,769)	(1,781,584)	-	38,156	(12,399,197)
Library books	(57,183,999)	(2,947,174)	-	236,644	(59,894,529)
Total accumulated depreciation	<u>(535,119,511)</u>	<u>(35,546,359)</u>	<u>-</u>	<u>6,020,041</u>	<u>(564,645,829)</u>
Capital assets being depreciated, net	<u>\$ 459,415,473</u>	<u>\$ (24,480,633)</u>	<u>\$ 42,691,933</u>	<u>\$ (305,658)</u>	<u>\$ 477,321,115</u>
<b>Capital asset summary:</b>					
Capital assets not being depreciated	\$ 46,693,545	\$ 23,645,641	\$ (42,691,933)	\$ -	\$ 27,647,253
Other capital assets, at cost	994,534,984	11,065,726	42,691,933	(6,325,699)	1,041,966,944
Total cost of capital assets	<u>1,041,228,529</u>	<u>34,711,367</u>	<u>-</u>	<u>(6,325,699)</u>	<u>1,069,614,197</u>
Less: accumulated depreciation	<u>(535,119,511)</u>	<u>(35,546,359)</u>	<u>-</u>	<u>6,020,041</u>	<u>(564,645,829)</u>
Capital assets, net	<u>\$ 506,109,018</u>	<u>\$ (834,992)</u>	<u>\$ -</u>	<u>\$ (305,658)</u>	<u>\$ 504,968,368</u>
<b>Foundation</b>					
Capital assets	\$ 748,332	\$ 43,005	\$ -	\$ (49,925)	\$ 741,412
Less: accumulated depreciation	(514,453)	(103,103)	-	19,046	(598,510)
Capital assets, net	<u>\$ 233,879</u>	<u>\$ (60,098)</u>	<u>\$ -</u>	<u>\$ (30,879)</u>	<u>\$ 142,902</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, 2017, follows:

	Balance July 1 2016	Additions	Reductions	Balance June 30 2017	Current Portion (due in 2018)	
<b>University</b>						
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	
	<u>128,822,481</u>	<u>158,714</u>	<u>(9,877,354)</u>	<u>119,103,841</u>	<u>9,486,885</u>	
Total bonds and contracts						
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	-	
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	-	
	<u>523,984,683</u>	<u>73,323,212</u>	<u>(37,441,076)</u>	<u>559,866,819</u>	<u>4,240,471</u>	
Total other liabilities						
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>\$ 13,727,356</u>	
<b>Foundation</b>						
	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>

A summary of changes in long-term liabilities for the University and Discrete Component Unit for the year ended June 30, 2016, follows:

	Balance July 1 2015	Additions	Reductions	Balance June 30 2016	Current Portion (due in 2017)	
<b>University</b>						
Bonds and contracts payable:						
Revenue bonds payable	\$123,669,371	\$ -	\$ (9,593,641)	\$114,075,730	\$ 7,915,000	
Subordinate revenue note	15,865,000	-	(2,120,000)	13,745,000	760,000	
Contracts payable	1,348,394	75,627	(422,270)	1,001,751	402,590	
Total bonds and contracts	<u>140,882,765</u>	<u>75,627</u>	<u>(12,135,911)</u>	<u>128,822,481</u>	<u>9,077,590</u>	
Other liabilities:						
Accrued compensated absences	18,891,612	3,794,479	(4,636,156)	18,049,935	3,609,987	
Other post employment benefits	28,478,000	6,885,000	(4,357,000)	31,006,000	-	
Net pension liability	431,412,011	73,461,205	(31,140,209)	473,733,007	-	
Accrued benefit reserve	659,630	-	-	659,630	-	
Other	518,372	17,739	-	536,111	-	
Total other liabilities	<u>479,959,625</u>	<u>84,158,423</u>	<u>(40,133,365)</u>	<u>523,984,683</u>	<u>3,609,987</u>	
Total long-term liabilities	<u>\$620,842,390</u>	<u>\$ 84,234,050</u>	<u>\$ (52,269,276)</u>	<u>\$652,807,164</u>	<u>\$ 12,687,577</u>	
<b>Foundation</b>						
	Balance July 1 2015	Additions	Reductions	Changes in Estimate	Balance July 1 2016	Current Portion (due in 2017)
Gift annuities payable	\$ 2,701,433	\$ 74,458	\$ (12,713)	\$ 17,782	\$ 2,780,960	\$ 179,267
Payable under unitrusts	176,954	-	-	(9,390)	167,564	29,525
Total long-term liabilities	<u>\$ 2,878,387</u>	<u>\$ 74,458</u>	<u>\$ (12,713)</u>	<u>\$ 8,392</u>	<u>\$ 2,948,524</u>	<u>\$ 208,792</u>

**Bonds Payable.** All outstanding University revenue bonds as of June 30, 2017 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 2017 and 2016 was \$4,945,420 and \$5,198,572, respectively, net of interest income. Of these amounts, \$429,579 and \$444,254 was capitalized during fiscal years 2017 and 2016, respectively.

Included in deferred inflows is \$191,092 in unamortized bond premiums.

Total University bonds issued and outstanding at June 30, 2017 and 2016, excluding bonds issued by the Community College Districts, (See Note 13), consisted of:

	Total Issued	Outstanding	
		2017	2016
Improvement Revenue Bonds			
Bond Series 2006, (4.00% - 5.25%) Final Maturity 2026	\$ 10,245,000	\$ 5,680,000	\$ 6,180,000
Refunding and Improvement Revenue Bonds			
Bond Series 2010A, 2010B, 2010C, 2010D (1.89% - 5.27%) Final Maturity 2030	78,670,000	54,810,000	58,990,000
Refunding and Improvement Revenue Bonds			
Bond Series 2013A, 2013B, 2013C (2.00% - 5.00%) Final Maturity 2033	56,200,000	41,695,000	44,930,000
Total Bonds Payable	145,115,000	102,185,000	110,100,000
Plus: Unamortized Net Premium	9,412,624	3,132,291	3,975,730
Bonds Payable, net	<u>\$ 154,527,624</u>	<u>\$ 105,317,291</u>	<u>\$ 114,075,730</u>

The maturity schedule for the University bonds payable at June 30, 2017, follows:

Year Ending June 30	Principal	Interest
2018	\$ 8,240,000	\$ 5,134,051
2019	8,440,000	4,786,720
2020	8,965,000	4,403,446
2021	9,295,000	3,983,955
2022	9,260,000	3,531,950
2023-2027	37,870,000	10,839,385
2028-2032	19,035,000	2,456,860
2033	1,080,000	37,800
Total	<u>\$ 102,185,000</u>	<u>\$ 35,174,167</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 \$421,972 and \$487,056 for fiscal years ended June 30, 2017 and 2016, respectively.

The maturity schedule for the subordinate revenue note at June 30, 2017, follows:

Year Ending June 30	Principal	Interest
2018	\$ 820,000	\$ 398,640
2019	880,000	373,466
2020	945,000	346,450
2021	1,015,000	317,438
2022	1,090,000	286,278
2023-2027	6,640,000	882,165
2028-2029	1,595,000	48,967
Total	<u>\$ 12,985,000</u>	<u>\$ 2,653,404</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, 2017.

Type of Property	Asset Carrying Value	Net Present Value of Minimum Lease Payments
Office equipment	\$ 301,599	\$ 223,840
Computer equipment	858,866	577,710
Total	<u>\$ 1,160,465</u>	<u>\$ 801,550</u>

Year Ending June 30	Principal	Interest	Minimum Payments
2018	\$ 426,885	\$ 22,023	\$ 448,908
2019	288,273	9,190	297,463
2020	44,574	3,925	48,499
2021	35,964	1,494	37,458
2022	5,854	99	5,953
Total	<u>\$ 801,550</u>	<u>\$ 36,731</u>	<u>\$ 838,281</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 will not be 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](http://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:

	2017	2016	2015
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	\$ 25,431,697	\$ 26,736,083	\$ 27,631,799
University's contribution to ERB for Return to Work Program	\$209,946	\$211,022	\$211,179

### 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, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. At June 30, 2017 and 2016 the University reported liabilities of \$507,687,518 and \$473,733,007, 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, 2016. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2016, the University's proportion was 7.05471% which was a decrease of 0.25907% from its proportion measured as of June 30, 2015. At June 30, 2015, the University proportion was 7.31378% which was a decrease of 0.24725% from its proportion measured as of June 30, 2014.

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	26,736,537	-
Total	<u>\$ 70,110,135</u>	<u>\$ 24,659,101</u>



For the year ended June 30, 2016, the University recognized a pension expense of \$34,785,204. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 8,782,589
Changes of assumptions	16,294,202	-
Net difference between projected and actual earnings on pension plan investments	-	2,132,390
Changes in proportion and differences between University contributions and proportionate share of contributions	1,136,248	11,742,728
University contributions subsequent to the measurement date	28,006,297	-
Total	<u>\$ 45,436,747</u>	<u>\$ 22,657,707</u>

The \$26,736,537 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date of June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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	
2018	\$ (474,547)
2019	838,380
2020	10,960,562
2021	7,390,102
	<u>\$ 18,714,497</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, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year June 30, 2016 using generally accepted actuarial principles. Specifically, the liabilities measured as of June 30, 2016 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 contribution rates included in the measurement are as follows:

Inflation	3.00%
Salary Increases	Composition; 3% inflation, plus .75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75% real rate of return
Average of Expected Remaining Service Lives	3.77 years
Mortality	RP-2000 Employee Mortality Table, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%, using Scale BB
Retirement Age	Experienced-based table rates based on age and service, adopted by board on June 12, 2015.
Cost-of-living increases	2% per year, compounded annually
Payroll growth	3.5% per year
Contribution accumulation	5.5% increase per year for all years prior to the valuation date
Disability Incidence	Approved rates applied to eligible members with at least 10 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.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Equities - Domestic	20%	8.00%
Equities - International	15%	8.57%
Fixed Income	28%	4.35%
Alternatives	36%	7.38%
Cash	1%	3.25%
Total	100%	

**Discount rate:** A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2016 and June 30, 2015. This single discount rate was based on the expected rate of return on pension plan 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 current pension plan members. Therefore, the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the ARP, ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

**Sensitivity of the 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 2017 and 2016. 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 (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	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

	2016		
	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	\$ 637,439,410	\$ 473,733,007	\$ 336,202,587

**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, 2016 and 2015 which are publicly available at [www.erb.org](http://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:

	2017	2016	2015
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	\$ 29,449,905	\$ 27,853,706	\$ 27,883,938
University's contribution to the ERB for ARP	\$ 3,210,313	\$ 3,036,291	\$ 3,037,200
Administration fee paid to ERB for ARP	\$ 883,491	\$ 827,516	\$ 836,519
Employee contributions made to ARP	\$ 3,151,409	\$ 2,781,785	\$ 2,981,402

### 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, 2017 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:

	2017	2016	2015
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%	13.20%
Employee contribution	0.80%	0.80%	0.80%
University's contribution	\$ 136,061	\$ 142,235	\$ 142,467
Employee's contribution	\$ 16,343	\$ 19,980	\$ 23,647

## 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. 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. As of June 30, 2017, 1,265 retirees met the eligibility requirements for health insurance.

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

**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 2017 and 2016 were \$4,422,000 and \$4,357,000, 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, 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:

	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 July 1, 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, 2017, the estimated remaining costs to complete these and other in-house construction and renovation projects was approximately \$67 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	\$ 2,697,124
General obligation bonds (State of New Mexico)	27,035,483
General obligation bonds (local)	12,287,064
Severance tax bonds (State of New Mexico)	1,048,348
University funds	14,990,355
State funds	7,181,465
Gifts, grants and contracts	<u>1,799,621</u>
Total	<u><u>\$ 67,039,460</u></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
2018	\$ 855,539
2019	664,000
2020	310,772
2021	106,299
2022	17,865
Years thereafter	52,700
Total minimum lease payments	<u>\$ 2,007,175</u>

Operating lease payments made in fiscal years 2017 and 2016 are as follows:

	2017	2016
Minimum rentals	\$ 1,040,458	\$ 1,664,352
Contingent rentals	190,238	184,583
Total lease payments	<u>\$ 1,230,696</u>	<u>\$ 1,848,935</u>

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

**Other Commitments.** At June 30, 2017, 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 \$17.2 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, 2017 and 2016, and for the fiscal years then ended follows:

	2017	2016
<b>Net Position</b>		
Total assets	\$ 902,167	\$ 689,503
Total liabilities	104,459	9,301
Total net position	<u>\$ 797,708</u>	<u>\$ 680,202</u>
<b>Changes in Net Position</b>		
Total revenues	\$ 883,301	\$ 751,487
Total expenditures	<u>765,795</u>	<u>894,338</u>
Change in net position	117,506	(142,851)
Net position, beginning	<u>680,202</u>	<u>823,053</u>
<b>Net position, ending</b>	<u>\$ 797,708</u>	<u>\$ 680,202</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. During their first two years, 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 currently is a party to various litigation and other claims in the ordinary course of business. The University participates in the State of New Mexico Risk Management Program (Risk Management) which provides liability, medical malpractice, and physical damage coverage. The Risk Management program liability coverage includes most employee liability claims (excluding awards for wages and attorney fees). During the fiscal years ended June 30, 2017 and 2016, the University paid Risk Management \$5,723,751 and \$4,838,269, respectively, in premiums. After conferring with legal counsel concerning pending litigation and claims, the University administration believes the outcome of pending litigation should not have a material adverse effect on the financial position or operations of the University.

The University is involved in litigation with Doña Ana Community College (DACC) Nursing Students. The details of this situation follow.

**Doña Ana Community College Nursing Students.** A lawsuit filed in May of 2013 asserts claims



arising out of the loss of nursing accreditation at the Doña Ana Community College (DACC) on behalf of eight former DACC nursing students. Plaintiffs were students in the DACC nursing program at the point in time continued accreditation of the nursing program was denied by the National League of Nursing Accrediting Commission. The plaintiffs allege claims based upon breach of contract but also request emotional distress damages suggesting a tort type claim. The court certified this case as a class action, to include 86 students enrolled in the DACC nursing program at the time of the denial who did not elect to complete their degree. Risk Management has agreed to provide the cost of defense and is expected to provide coverage for any non-contract damages. In 2017, the Court of Appeals ruled in favor of NMSU on its appeal of the denial of summary judgment by the District Court on or about November 2015. The Plaintiff has now filed a petition for writ of certiorari in the New Mexico Supreme Court. The Court's order directing the district court to enter summary judgment in favor of NMSU will become effective unless that petition is granted by the New Mexico Supreme Court and the court overrules the court of appeals decision. An adverse outcome is reasonably possible but considered unlikely at this stage. An estimate of the loss or range of potential loss cannot be determined at this point of litigation.

### **Note 13 – Community College General Obligation Bonds**

General Obligation bonds are issued by the Community College Districts for the purpose of supporting Community College facilities. The bonds are general obligations of the community college districts in which the Community Colleges reside and are payable solely out of general (ad valorem) taxes which are levied against all taxable property in each respective district. The Community College District's governing board is made up of school board members residing in each school district. Management of the University has determined the Community College Districts are not component units of the University.

Taxes collected by the respective district's tax assessor are deposited in bank accounts for the purpose of servicing the debt and are reflected as cash in the University's Statement of Net Position. At June 30, 2017 and 2016, the cash balances available to make the next semi-annual payments were \$451,856 and \$567,372 for the Alamogordo Community College, \$659,858 and \$518,674 for the Carlsbad Community College, \$3,690,966 and \$4,546,387 for the Doña Ana Community College, and \$398,310 and \$217,317 for the Grants Community College, respectively.

The following table shows the future scheduled debt payments by the Community College Districts (due semi-annually in August and February):

<b>Alamogordo Community College</b>			
<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 370,000	\$ 94,253	\$ 464,253
2019	385,000	80,092	465,092
2020	405,000	64,779	469,779
2021	420,000	48,380	468,380
2022	440,000	31,179	471,179
2023-2027	540,000	21,270	561,270
Total	<u>\$ 2,560,000</u>	<u>\$ 339,953</u>	<u>\$ 2,899,953</u>
<b>Carlsbad Community College</b>			
<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 335,000	\$ 20,700	\$ 355,700
2019	350,000	7,000	357,000
Total	<u>\$ 685,000</u>	<u>\$ 27,700</u>	<u>\$ 712,700</u>
<b>Doña Ana Community College</b>			
<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 2,525,000	\$ 422,000	\$ 2,947,000
2019	1,800,000	350,500	2,150,500
2020	1,800,000	287,000	2,087,000
2021	1,600,000	224,000	1,824,000
2022	1,625,000	163,500	1,788,500
2023-2027	3,200,000	327,500	3,527,500
2028-2032	700,000	21,000	721,000
Total	<u>\$ 13,250,000</u>	<u>\$ 1,795,500</u>	<u>\$ 15,045,500</u>
<b>Grants Community College</b>			
<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 275,000	\$ 204,933	\$ 479,933
2019	280,000	201,425	481,425
2020	285,000	197,006	482,006
2021	295,000	191,612	486,612
2022	300,000	185,248	485,248
2023-2027	1,655,000	803,343	2,458,343
2028-2032	1,985,000	531,875	2,516,875
2033-2037	1,925,000	148,289	2,073,289
Total	<u>\$ 7,000,000</u>	<u>\$ 2,463,731</u>	<u>\$ 9,463,731</u>

### Note 14 – Natural Classification Operating Expenses

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

	2017		2016	
	University	Component Unit	University	Component Unit
Operating Expenses				
Salaries				
Faculty	\$ 94,901,192	\$ -	\$ 96,983,251	\$ -
Exempt staff	102,915,959	2,298,654	107,645,639	2,263,377
Non-exempt staff	15,385,378	-	16,830,106	-
Student/graduate assistant	29,711,828	21,752	29,490,950	38,110
Other compensation	2,174,151	5,400	2,680,882	6,710
Total salaries	<u>245,088,508</u>	<u>2,325,806</u>	<u>253,630,828</u>	<u>2,308,197</u>
Other Operating Expenses				
Benefits	84,918,550	-	91,631,135	-
Travel	12,471,014	118,789	13,324,742	89,059
Scholarship and fellowships and other program support	38,024,453	8,931,420	34,174,208	9,890,271
Utilities	12,097,149	3,657	13,100,911	8,198
Professional fees	18,077,767	294,750	17,204,519	225,627
Supplies and other services	81,661,310	744,595	80,596,596	885,102
Depreciation	35,473,782	89,551	35,546,359	103,103
Total operating expenses	<u>\$527,812,533</u>	<u>\$ 12,508,568</u>	<u>\$539,209,298</u>	<u>\$ 13,509,557</u>

### Note 15 – 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, 2017 (unaudited):

	2017	2016
Unrestricted Net Position	\$ (368,393,810)	\$ (366,508,136)
Less: Unfunded Pension	(462,236,483)	(450,953,967)
Less: Long-Term Compensated Absences	(13,260,913)	(14,439,948)
Less: Other Post Employment Benefits	<u>(33,479,000)</u>	<u>(31,006,000)</u>
<b>Adjusted Unrestricted Net Position</b>	<u>140,582,586</u>	<u>129,891,779</u>
Designated for Operations - Instruction and General	\$ 29,611,531	\$ 31,493,378
Designated for Operations - Research	17,194,671	17,234,789
Designated for Operations - Public Service	8,330,629	9,436,193
Designated for Operations - Other	9,934,289	9,748,402
Quasi Endowments Funds	15,953,875	12,747,515
Renewals and Replacements - Buildings	21,987,851	18,200,256
Renewals and Replacements - Auxiliary Enterprises	6,243,351	6,467,857
Renewals and Replacements - Internal Services Units	5,959,937	4,955,208
Renewals and Replacements - Equipment	10,076,971	7,745,706
Unexpended plant - Designated to Projects	8,513,316	8,606,763
Unexpended plant - Future Projects/Contingency	<u>6,776,165</u>	<u>3,255,712</u>
<b>Total</b>	<u>\$ 140,582,586</u>	<u>\$ 129,891,779</u>

## Note 16 – 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 17 – New Accounting Standards

GASB Statement No. 75 (*Accounting and Financial Reporting for Postemployment Benefits other than Pensions*) will become 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 will be to record the unfunded actuarial accrued liability currently estimated at \$56.8 million.

GASB Statement No. 77 (*Tax Abatement Disclosures*) became effective for fiscal year 2017. The objective of this statement is to provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. See Note 16 for the University's current year disclosure information.

GASB Statement No. 80 (*Blending Requirements for Certain Component Units*) became effective for fiscal year 2017. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Since both Arrowhead Inc. and Aggie Development Inc. are already reported as blended component units pursuant to GASB Statement No. 39, this additional requirement does not impact the University.

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*) will become 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. The University has not yet determined the impact of this statement.

GASB Statement No. 86 (*Certain Debt Extinguishment Issues*) will become 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 has not yet determined the impact of this statement.

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.

#### Note 18 – Subsequent Events

On July 13, 2017, the Regents of New Mexico State University issued \$73,240,000 of refunding and improvement revenue bonds known as Series 2017 A (\$40,740,000) refunding and improvement, Series 2017 B (\$18,975,000) taxable refunding, and Series 2017 C (\$13,525,000) refunding revenue (crossover refunding). Approximately \$32.5 million of the revenue bond proceeds will be used to construct a new residence hall and/or renovate existing residence facilities. The remaining funds will be used to refund existing housing related revenue bonds and for debt service.

The University has evaluated subsequent events from the balance sheet date through December 18, 2017, the date at which the financial statements were available to be issued, and determined there are no additional items to disclose.

## EXHIBIT C

### BOOK-ENTRY-ONLY SYSTEM

#### The Book-Entry-Only System

Initially, DTC will be the securities depository for the Bonds. The Paying Agent/Registrar will register all Bonds in the name of Cede & Co. (DTC's partnership nominee) and provide DTC with one Bond for each maturity.

*DTC provided the following information. Neither the Financial Advisor nor the District can vouch for its accuracy or completeness. For further information, please contact DTC or view its website at [www.dtc.org](http://www.dtc.org).*

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New Mexico and New York Uniform Commercial Codes, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debts issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of security certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard & Poor's rating of AA+.

Purchases of the Bonds under the book-entry system may be made only through brokers and dealers who are, or act through, Direct Participants. Each Direct Participant will receive a credit balance in the records of DTC in the amount of such Direct Participant's ownership interest in the Bonds. The ownership interest of each actual purchaser of a Bond (the "Beneficial Owner") will be recorded through the records of the Direct Participant or the Indirect Participant. Beneficial Owners are to receive a written confirmation of their purchase providing certain details of the Bonds acquired. Transfers of ownership interests in the Bonds will be accomplished only by book entries made by DTC and, in turn, by DTC Participants or Indirect Participants who act on behalf of the Beneficial Owners. Beneficial Owners of the Bonds will not receive nor have the right to receive physical delivery of the bonds, and will not be or be considered to be registered owners under the Bond Resolution except as specifically provided in the Bond Resolution in the event the book-entry system is discontinued.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

The District and the Registrar may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purpose of payment of the principal of or interest or premium, if any, on the Bonds, selecting Bonds and portions thereof to be redeemed, giving any notice permitted or required to be given to registered owners under the Bond Resolution, register the transfer of Bonds, obtaining any consent or other action to be taken by registered owners and for all other purposes whatsoever, and will not be affected by any notice to the contrary. The District and the Registrar will not have any responsibility or obligation to any Direct Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Direct Participant, Indirect Participant or other person not shown on the records of the Registrar as being a registered owner with respect to: the accuracy of any records maintained by DTC, any Direct Participant or Indirect Participant regarding ownership interests in the Bonds; the payment by DTC, any Direct Participant or Indirect Participant of any amount in respect of the principal of or interest or premium, if any, on the Bonds; the delivery to any Direct Participant, Indirect Participant

or any Beneficial Owner of any notice that is permitted or required to be given to registered owners under the Bond Resolution; or any consent given or other action taken by DTC as a registered owner.

Neither DTC nor its nominee, Cede & Co., provides consents with respect to any security. Under its usual procedures, DTC mails an omnibus proxy to the issuer of the securities for which it is acting as securities depository as soon as possible after the establishment of a "record date" by the issuer for purposes of soliciting consents from the holders of such securities. The omnibus proxy assigns Cede & Co.'s voting rights to those Direct Participants having such securities credited to their accounts on such record date.

Principal of and interest on the Bonds will be paid to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Disbursement of such payments to the Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the Bonds is the responsibility of the Direct Participants or the Indirect Participants. Upon receipt of any such payments, DTC's current practice is to credit the accounts of the Direct Participants immediately in accordance with their respective holdings shown on the records of DTC. Payments by Direct Participants and Indirect Participants to Beneficial Owners of the Bonds will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participant or Indirect Participant and not of DTC, the Registrar or the District, subject to any statutory and regulatory requirements then in effect. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

As long as the DTC book-entry system is used for the Bonds, the Registrar will give any notice required to be given to registered owners of Bonds only to DTC or its nominee. Any failure of DTC to advise any Direct Participant, of any Direct Participant to notify any Indirect Participant, or of any Direct Participant or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of any action premised on such notice. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. Beneficial Owners may desire to make arrangements with a Direct Participant or Indirect Participant so that all communications to DTC that affect such Beneficial Owners will be forwarded in writing by such Direct Participant or Indirect Participant.

NEITHER THE DISTRICT NOR THE REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS.

For every transfer and exchange of a beneficial ownership interest in the Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving reasonable notice to the District or the Registrar at any time. In addition, if the District determines that (i) DTC is unable to discharge its responsibilities with respect to the Bonds or (ii) continuation of the system of book-entry only transfers through DTC is not in the best interests of the Beneficial Owners of the Bonds or of the District, the District may thereupon terminate the services of DTC with respect to the Bonds. If for any such reason the system of book-entry transfers through DTC is discontinued, the District may within 90 days thereafter appoint a substitute securities depository that, in its opinion, is willing and able to undertake the functions of DTC upon reasonable and customary terms. If a successor is not approved, Bond certificates will be delivered as described in the Bond Resolution in fully registered form in denominations of \$5,000 or any integral multiple thereof in the names of the Beneficial Owners, Indirect Participants or Direct Participants.

In the event the book-entry system is discontinued, the persons to whom Bond certificates are registered will be treated as registered owners for all purposes of the Bond Resolution, including the giving to the District or the Registrar of any notice, consent, request or demand pursuant to the Bond Resolution for any purpose whatsoever. In such event, the Bonds will be transferred to such registered owners, interest on the Bonds will be payable by check of the Paying Agent, as paying agent, mailed to such registered owners, and the principal and redemption price of all Bonds will be payable at the principal corporate trust office of the Paying Agent. The foregoing material concerning DTC and DTC's book-entry system is based on information furnished by DTC. No representation is made by the District or the Underwriter as to the accuracy or completeness of such information.

### **Limited Book-Entry Responsibilities**

While a book-entry-only system is used for the Bonds, the Paying Agent/Registrar will send redemption and other notices only to DTC. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Beneficial Owner, of any notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the Bond redemption or any other action based on the notice.

The District and the Financial Advisor have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership of interests in the Bonds.

The District and the Financial Advisor cannot and do not give any assurances that DTC will distribute payments to Direct Participants or that Direct Participants or others will distribute payments with respect to the Bonds received by DTC or its nominees as the holder or any redemption notices or other notices to the beneficial holders, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.



EXHIBIT D

FORM OF BOND COUNSEL OPINION

\_\_\_\_\_, 2018

Doña Ana Community College District  
Las Cruces, New Mexico

**Re: \$6,200,000 NMSU - Doña Ana Community College General Obligation (Limited Tax) Bonds, Series 2018**

We have acted as bond counsel to Doña Ana Community College District (the "District") in connection with the issuance of its \$6,200,000 General Obligation (Limited Tax) Bonds, Series 2018 (the "Bonds"). We have examined the proceedings and the law under authority of which the Bonds are issued.

Based on our examination, we are of the opinion that, under the law existing on the date of this opinion, subject to the provisions of federal bankruptcy law and other laws affecting creditors' rights:

1. The Bonds constitute valid and binding general obligations of the District and the principal of and interest on the Bonds, unless paid from other sources, are to be paid from the proceeds of the levy of ad valorem taxes on all property within the District subject to ad valorem taxes levied by the District, which levy shall not exceed five mills; provided, however, that this five-mill limitation may be exceeded in any year in which the valuation of the property within the District declines to a level lower than the valuation of the property within the District in the year in which the Bonds were issued.

2. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. We are also of the opinion that interest on the Bonds is not an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals under provisions contained in the Internal Revenue Code of 1986, as amended (the "Code"). Although we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

3. The Bonds and the income from the Bonds are exempt from all taxation by the State or any political subdivision thereof.

The opinions set forth above in Paragraph 2 above are subject to continuing compliance by the District with covenants regarding federal tax law contained in the proceedings and other documents relevant to the issuance by the District of the Bonds. Failure to comply with these covenants may result in interest on the Bonds being included in gross income retroactive to their date of issuance.

The opinions expressed herein are based upon existing law as of the date of issuance and delivery of the Bonds. We express no opinion as of any date subsequent hereto, and our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this opinion.

The opinions expressed herein represent our legal judgment based upon existing legislation as of the date of issuance and delivery of the Bonds that we deem relevant to render such opinions and are not a guarantee of a result, and we express no opinion as of any date subsequent thereto or with respect to any pending legislation.

As bond counsel, we are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds or upon any tax consequences arising from the receipt or accrual of interest on, or the ownership of, the Bonds except those specifically addressed in Paragraphs 2 and 3 above.

Respectfully Submitted,

## EXHIBIT E

### FORM OF CONTINUING DISCLOSURE UNDERTAKING

\$6,200,000

**NMSU - DOÑA ANA COMMUNITY COLLEGE  
GENERAL OBLIGATION (LIMITED TAX) BONDS  
SERIES 2018**

Section 1. Recitals. This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by Doña Ana Community College District (the "District"), in connection with the issuance of the \$6,200,000 NMSU - Doña Ana Community College General Obligation (Limited Tax) Bonds, Series 2018, (the "Bonds"). The Bonds are being issued pursuant to an Authorizing Resolution of the District adopted on May 3, 2018 (the "Resolution"). Pursuant to the Resolution, to allow the underwriter of the Bonds to comply with the Rule (defined below), the District is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the "Owners"). This Undertaking is intended to satisfy the requirements of the Rule.

Section 2. Definitions.

(a) "Annual Financial Information" means the audited financial statements of the New Mexico State University prepared in accordance with generally accepted accounting principles, as in effect from time to time ("GAAP"), for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB") and certain financial and operating information with respect to the District, delivered at least annually pursuant to Sections 3(a) and 3(b) of this Undertaking, consisting of the type set forth under the captions "DEBT AND OTHER FINANCIAL OBLIGATIONS," "TAX BASE," "NEW MEXICO STATE UNIVERSITY – DOÑA ANA COMMUNITY COLLEGE – Enrollment," and "FINANCES OF THE EDUCATIONAL PROGRAM – Budget Comparisons" in the Official Statement.

(b) "Audited Financial Statements" means the New Mexico State University annual financial statements, prepared in accordance with GAAP for governmental units as prescribed from time to time by GASB, which financial statements have been audited by such auditor as may then be required or permitted by the laws of the State.

(c) "EMMA" means the MSRB's Electronic Municipal Market Access system located on the MSRB website at [emma.msrb.org](http://emma.msrb.org).

(d) "Event Information" means the information delivered pursuant to section 3(d).

(e) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314, (703) 797-9600, fax (703) 797-6708.

(f) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the Bonds.

(g) "Report Date" means March 31 of each year, beginning in 2019.

(h) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, §240.15C2-12), as the same may be amended from time to time.

(i) "SEC" means the Securities and Exchange Commission.

(j) "State" means the State of New Mexico.

Section 3. Provision of Annual Financial Information and Reporting of Event Information.

(a) The District, or its designated agent, will provide the Annual Financial Information for the preceding fiscal year to EMMA on or before each Report Date while the Bonds are outstanding.

(b) If Audited Financial Statements are not provided as a part of the Annual Financial Information, the District, or its designated agent, will provide unaudited financial statements as part of the Annual Financial Information. In such cases, Audited Financial Statements will be provided to EMMA when and if available.

(c) The District, or its designated agent, may provide Annual Financial Information by specific reference to other documents, including information reports and official statements relating to other debt issues of the District, which have been submitted to EMMA or filed with the SEC; provided, however, that if the document so referenced is a "final official statement" within the meaning of the Rule, such final official statement must also be available from the MSRB.

(d) The District, or its designated agent, will provide, to EMMA, notice of any of the following events with respect to the Bonds in a timely manner not in excess of ten (10) business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability. Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;

(vii) modifications to rights of security holders, if material;

(viii) bond calls, if material or tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the securities, if material; and

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or a similar event with respect to the District or an obligated person;

(xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee, or a change of name of a trustee, if material.

(e) The District, or its designated agent, will provide, in a timely manner not in excess of ten (10) business days after the occurrence of the event, to EMMA, notice of any: (i) failure of the District to timely provide the Annual Financial Information, including unaudited and Audit Financial Statements, as specified in Sections 3(a) and 3(b); (ii) changes in its fiscal year-end; and (iii) amendment of this Undertaking.

Section 4. Method of Transmission. Unless otherwise required by law and subject to technical or economic feasibility, the District, or its designated agent, will employ such methods of electronic or physical information transmission as are requested or recommended from time to time by EMMA, the MSRB or the SEC.

Section 5. Enforcement. The obligations of the District under this Undertaking are for the benefit of the Owners. Each Owner is authorized to take action to seek specific performance by court order to compel the District to comply with its obligations under this Undertaking, which action will be the exclusive remedy available to it or any other Owner. The District's breach of its obligations under this Undertaking will not constitute an event of default under the Resolution, and none of the rights and remedies provided by such Resolution will be available to the Owners with respect to such a breach.

Section 6. Term. The District's obligations under this Undertaking will be in effect from and after the issuance and delivery of the Bonds and will extend to the earliest of (i) the date all principal and interest on the Bonds has been paid or legally defeased pursuant to the terms of the Resolution; (ii) the date on which the District is no longer an "obligated person" with respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this Undertaking are determined to be invalid or unenforceable by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

Section 7. Amendments. The District may amend this Undertaking from time to time, without the consent of any Owner, upon the District's receipt of an opinion of independent counsel experienced in federal securities laws to the effect that such amendment:

(a) is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the District;

(b) this Undertaking, as amended, would have complied with the Rule at the time of the initial issue and sale of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and

(c) the amendment does not materially impair the interests of the Owners.

Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial

information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information and Audited Financial Statements for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Beneficiaries. This Undertaking binds and inures to the sole benefit of the District and the Owners and creates no rights in any other person or entity.

Section 9. Special Funds. This Undertaking shall be subject to availability of necessary funds from annual revenues of the District and shall not be deemed to create a general obligation indebtedness of the District.

Section 10. Governing Law. This Undertaking is governed by and is to be construed in accordance with the law of the State.

Date: \_\_\_\_\_, 2018

THE ADVISORY BOARD OF THE  
DOÑA COMMUNITY COLLEGE DISTRICT

[SEAL]

By: \_\_\_\_\_  
President

Attest:

By: \_\_\_\_\_  
Secretary