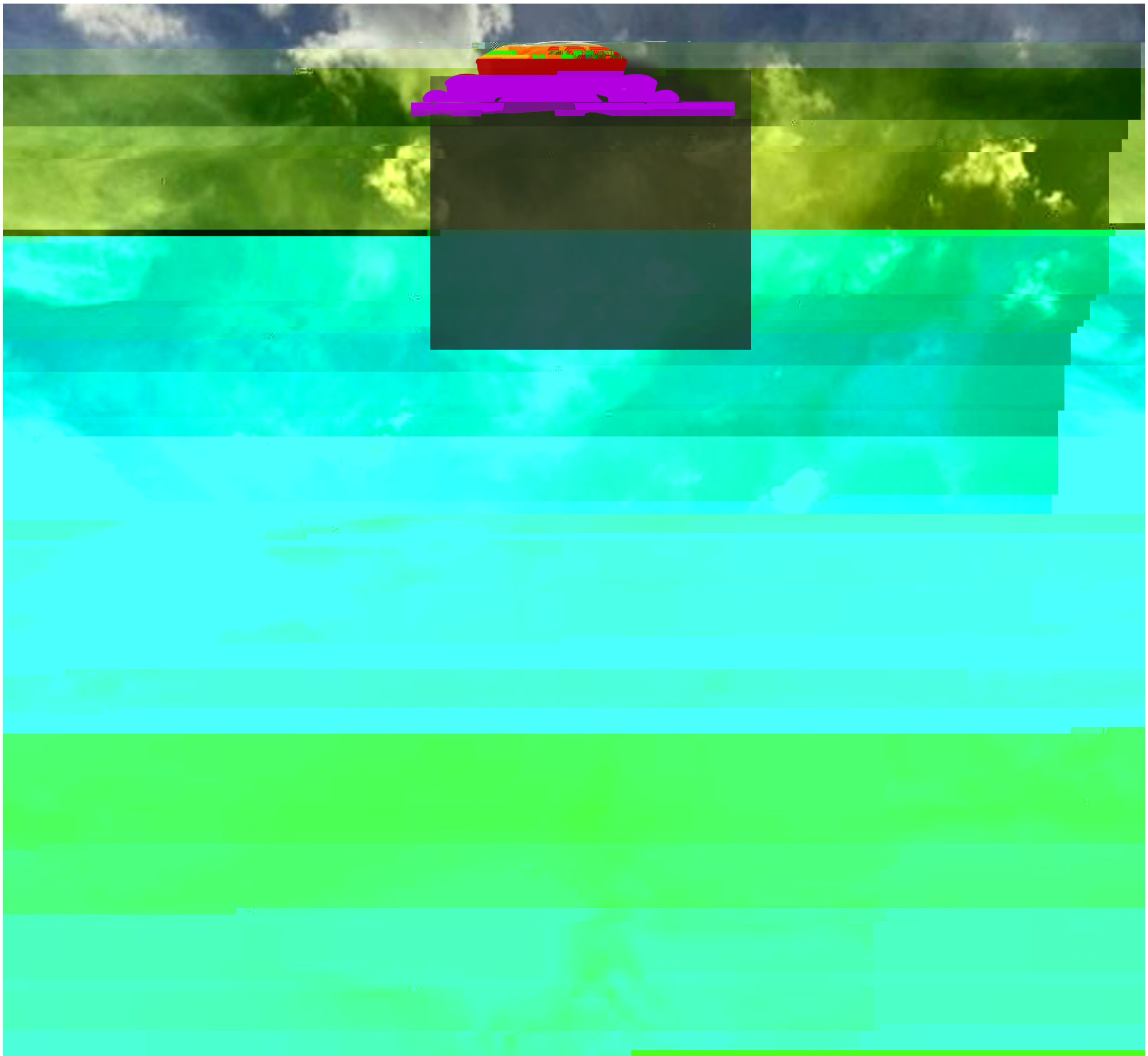

Year ending June 30, 2015

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PRECISE. PERSONAL. PROACTIVE.

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New Mexico Institute of Mining and Technology

OFFICIAL ROSTER

June 30, 2015

Board of Regents

Ex Officio Members:

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

Appointed Members:

Deborah Peacock	President
Jerry A. Armijo	Secretary-Treasurer
David Gonzales	Member
Donald Monette	Member
Myissa Weiss	Member

Principal Administrative Officials

Daniel H. Lopez	President
Lonnie Marquez	Vice President for Administration and Finance
Warren Ostergren	Vice President for Academic Affairs
Melissa Jaramillo-Fleming	Vice President for Student and University Relations
Van D. Romero	Vice President for Research and Economic Development
Greer Price	Director, New Mexico Bureau of Geology and Mineral Resources
Robert L. Lee	Director, New Mexico Petroleum Recovery Research Center
John L. Meason	Director, Energetic Materials Research and Testing Center
Leyla A. Sedillo	Associate Vice President for Budget and Analysis

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Regents
New Mexico Institute of Mining and Technology
Socorro, New Mexico
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, each discretely presented component unit and the fiduciary fund of the New Mexico Institute of Mining and Technology (the Institute) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the budgetary comparisons for the unrestricted current funds, restricted current funds, and unrestricted instruction and general funds presented as supplementary information, as defined by the Government Accounting Standards Board, in accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the prep ɔ currrelevant statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparat

Required Supplementary Information - Continued

generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Institute's basic financial statements and the budgetary comparisons. The accompanying schedules of deposit collateral and multiple-year capital projects funded by general obligation revenue bond and severance tax bond capital outlay appropriations from the state are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other schedules 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
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Statement of Cash Flows

The Statement of Cash Flows is a summary of the sources and uses of funds received by New Mexico Tech. The statement is presented in four sections within the accompanying reconciliations. Each section is a summary of the funds received to that particular activity and the funds used for the activity. The Statement of Cash Flows includes:

Cash flows from operating activities;

Cash flows from non-capital financing activities;

Cash flows from capital and related financing activities;

Cash flows from investment activities; and

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities.

Note: The New Mexico Institute of Mining and Technology Foundation and The New Mexico Tech University Research Park Corporation’s statements are included as component units, but their operations are not managed or controlled by New Mexico Tech.

Comparison of Budget to Actual

Included in this audit report is a Budget Comparison Summary of the original budget to the final budget to actual revenue and expenses for current unrestricted funds and current restricted funds. This report is written in a required format by the New Mexico State Auditor called fund accounting format, which is used for accounting and budgeting by the State of New Mexico.

The Original Budget and the Final Budget are compared to Actual Revenues and Expenditures to reflect the changes in the original budget at New Mexico Tech compared to the final outcome.

A reconciliation of the budget to actual revenues and expenditures is added to ensure that the budgeted and actual numbers agree with the financial statements i υ l’

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2015

	Balance June 30, 2015 (In Thousands)	Balance June 30, 2014 (In Thousands)	Difference	% Change
Current Assets				
Cash and cash equivalents	$ 45,157	$ 30,444	$ 14,713	48.3%
Short-term investments	17,841	18,810	(969)	-5.2%
Receivables, net	13,070	23,537	(10,467)	-44.5%
Inventories	1,242	1,206	36	3.0%
Other assets	2,500	2,592	(92)	-3.5%
	79,810	76,589	3,221	4.2%
Non-Current Assets				
Restricted cash and cash equivalents	222	94	128	136.2%
Endowment investments	40,774	32,827	7,947	24.2%
Other long-term investments	43,121	42,318	803	1.9%
Capital assets, net	159,578	150,211	9,367	6.2%
	243,695	225,450	18,245	8.1%
Total Assets	323,505	302,039	$ 21,466	7.1%
Deferred Outflows				
Employer Pension Contributions	4,922	-	4,922	
Total Assets and Deferred Outflows	$ 328,427	$ 302,039	$ 26,388	8.7%
Current Liabilities	$ 15,895	$ 11,559	$ 4,336	37.5%
Total Current Liabilities	15,895	11,559	4,336	37.5%
Non-Current Liabilities	101,424	22,185	79,239	357.2%
Total Non-Current Liabilities	101,424	22,185	79	ķ 2 2% R_

Total assets increased $21.2 thousand or 7.1 percent. Several categories in the asset classification changed during the fiscal year.

Unrestricted Cash and Cash Equivalents increased $14.7 million due to the decrease in accounts receivable. The receivables due from a Department of Energy contract and the State of New Mexico for the Bureau of Geology construction were collected in July 2014.

Short-Term Investments decreased $1 million due to the construction drawdowns from the bond funds invested with the NM State Treasurer.

Net Receivables decreased $10.5 million. The decrease included payments received of $4.1 million from the State of New Mexico for the Bureau of Geology building, and grant receivables of $4.9 million from the U.S. Department of Energy.

Operating revenues are received to provide goods and services to the constituencies of New Mexico Tech. The operating revenue includes tuition, federal, state and private grants and contracts and auxiliary service fees.

Total operating revenue decreased $7.0 million.

Net tuition revenue increased $1.1 million.

Grants and contracts revenue decreased $8.7 million.

All other operating income decreased $1.7 million.

Operating expenses are the cost of providing the goods and services for the operating revenue received.

Total operating expenses increased $6.2 million.

Research and other sponsored expenditures decreased $9.2 million.

State appropriations, including I&G and RPSP, were $38.7 million compared to last

Comparative Statement of Revenues and Expenses (in thousands) for the two years ending June 30:

	Year Ending June 30, 2015 (In Thousands)	Year Ending June 30, 2014 (In Thousands)	Difference	%
Operating Revenue				
Tuition and fees	$ 14,296	$ 13,179	$ 1,117	8.5%
Less discount allow	(3,627)	(3,696)	69	-1.9%
G&C	59,658	68,405	(8,747)	-12.8%
Sales and service aux	6,119	6,328	(209)	-3.3%
Less discount allow	(1,153)	(1,364)	211	-15.5%
Other	8,590	8,068	522	6.5%
	83,883	90,920	(7,037)	-7.7%
Operating Expense				
Instruction	16,399	16,779	(380)	-2.3%
Academic support	2,001	1,874	127	6.8%
Student services	1,876	1,909	(33)	-1.7%
Institutional support	7,249	7,614	(365)	-4.8%
O&M	5,954	6,324	(370)	-5.9%
Research	56,962	66,193	(9,231)	-13.9%
Public service	728	521	207	39.7%
Student aid	13,137	12,298	839	6.8%
Auxiliaries	5,087	5,299	(212)	-4.0%
Less discount allow	(4,780)	(5,060)	280	-5.5%
Depreciation	9,704	8,954	750	8.4%
OPEB expense	5,094	-	-	-
Pension expense	3,018	-	-	-
Independent ops	4,310	3,822	488	12.8%
Plant funds	2,837	3,423	(586)	-17.1%
Other	7,267	4,959	2,308	46.5%
	136,843	134,909	(6,178)	-4.6%
Operating Loss	(52,960)	(43,989)	(859)	2.0%
Non-Operating Revenue				
State appropriation	38,658	36,821	1,837	5.0%
State LGPF	3,055	5,052	(1,997)	-39.5%
Gifts	1,333	741	592	79.9%
Int and investment income	409	52	357	686.5%

Capital Assets

The New Mexico Tech Board of Regents approved the construction of the new Bureau of Geology and Mineral Resources Building at their October 2013 board meeting. The Bureau of Geology and Mineral Resources building is known as the Charles and Jessie Headen Center. The new $24 million building is 85,000 square feet and three stories. Construction was paid for by an $18 million General Obligation Bond approved by New Mexico voters in 2012, and a $6 million appropriation during the 2013 legislative session. The Bureau has consolidated all its office and lab spaces into the new building, including the New Mexico Mineral Museum and the Bureau bookstore.

New Mexico voters approved a $15 million State of New Mexico General Obligation Bond issue to construct a new chemistry building. The new facility will be a 40,000-square-foot building, complete with labs, conference rooms, offices and classrooms.

The construction project is estimated to take 18 months to complete. To date, the project has been approved by the New Mexico Tech Board of Regents, New Mexico Higher Education Department and the State of New Mexico Board of Finance. The building will be constructed on the site of the old Bureau of Geology building.

Debt Administration

The Board of Regents of New Mexico Institute of Mining and Technology System Revenue Bonds, Series 2011.

The bond term is 20 years with an effective interest rate of 4.441 percent. The annual principal and interest payments average $1,066,050. The debt is serviced with unrestricted revenues including auxiliary, tuition, fees, and overhead income.

Total proceeds deposited from the bond sale, including the premium and after-cost of issuance, was $14,041,092. $11 million was dedicated to the construction of the new dormitory and related projects, and $5 million is dedicated for equipment and construction of the Magdalena Ridge Observatory project. The funds for both projects have been expended and committed. The semiannual payment of principle and interest is paid on January 1 and July 1. The outstanding long-term bond debt on June 30, 2015 was $12,230,401.

Currently Known Facts - Continued

Concern for future enrollment is based on the same circumstances that existed for several years; i.e., the forecast for high school graduation rates in New Mexico continues to be discouraging because of smaller graduating classes and low high school graduation rates. Smaller high school graduating classes means fewer students are in the pipeline to attend New Mexico colleges and universities. New Mexico Tech has been successful in recruiting and enrolling New Mexico high school graduates. The 2015 enroll of New Mexico students is 85 percent.

Research

Research expenditures are not affected by the state budget, but they are highly dependent on the federal budget.

Research continues to provide a public service to the community and enhances the educational experience for the students. By the time they graduate, most students have hands-on experience in their major field of study because of the research programs at New Mexico Tech.

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	Institute	Research Park	Foundation
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	$ 11,231,212	$ -	$ 7,423
Accrued compensated absences - current portion	3,484,954	-	-
Due to primary government	-	58,013	-
Other liabilities	-	-	1,507
Deposits	199,190	-	-
Unearned revenue	979,414	-	-
Total current liabilities	15,894,770	58,013	8,930
Noncurrent Liabilities			
Accrued compensated absences	4,433,878	-	-
Bonds payable	11,575,000	-	-
Bonds premium, net of accumulated amortization	655,401	-	-
Net other post employee benefits obligation	5,093,580	-	-
Net pension liability	74,355,364	-	-
Other noncurrent liabilities	5,310,413	-	1,832,269
Total noncurrent liabilities	101,423,636	-	1,832,269
Total liabilities	117,318,406	58,013	1,841,199
Deferred inflows of resources			
Pension actuarial and investment experience and proportion of total employer net pension liability	13,999,672	-	-
Total deferred inflows of resources	13,999,672	-	-
NET POSITION			
Net investment in capital assets	147,347,589	-	1,746,868

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

		Institute		Research Park		Foundation
OPERATING REVENUES						
Tuition and fees	$	14,296,372	$	-	$	-
Tuition discounts and allowances		(3,626,927)		-		-

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

		Institute		Research Park		Foundation
NONOPERATING REVENUES						
State appropriations	$	38,657,845	$	-	$	-
Gifts		1,333,157		-		-
Interest and investment income, net		320,449		2,511,694		342,322
Net nonoperating revenues		40,311,451		2,511,694		342,322
(Loss) Income before other revenues and expenses		(12,647,593)		3,551,304		(2,452,869)
OTHER REVENUES AND CAPITAL ITEMS						
Other revenues		9,282,886		146,031		658,145
Additions to permanent endowments		1,689,902		-		1,859,294
State land grant permanent fund income		3,054,654		-		-
Capital project appropriations from state issued bonds and other		12,769,686		-		-
Net other revenues		26,797,128		146,031		2,517,439
Net increase in net position		14,149,535		3,697,335		64,570

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

	Institute	Research Park	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES			
Tuition and fees	$ 10,697,386	$ -	$ (1,487,437)
Grants and contracts	64,705,366	-	-
Sales and services of auxiliary enterprises	4,965,789	-	-
Other receipts	14,111,041	-	90,427
Payments tr m sP] MM			

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

SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES

During 2015, the Institute implemented accrual of the net pensi

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

New Mexico Institute of Mining and Technology

STATEMENT OF FIDUCIARY NET DEFICIT AVAILABLE FOR BENEFITS

June 30, 2015

ASSETS		
Cash and cash equivalents	$	234,566
Employee contributions receivable		342,777
Investments at fair value		1,341,461
Total assets		1,918,804
LIABILITIES		
Claims incurred but not reported		494,404
Due to NMIMT		350,000
Flexible benefits payable		6,921
Unfunded other post employment benefits obligation, net		5,093,580
Total liabilities		5,944,905
Net deficit available for benefits	$	(4,026,101)

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

New Mexico Institute of Mining and Technology

STATEMENT OF CHANGES IN FIDUCIARY NET DEFICIT AVAILABLE FOR BENEFITS

Year Ended June 30, 2015

INCREASE IN FIDUCIARY NET POSITION ATTRIBUTED TO:	
Employer contributions	$ 4,967,039
Employee contributions	3,639,751
Investment income	49,949
Total revenues	8,656,739
DECREASE IN FIDUCIARY NET POSITION ATTRIBUTED TO:	
Claims expense, net of stop-loss refunds of $246,052 in 2015	5,102,213
Other post employment benefits expense, net	5,093,580
Insurance premiums	1,185,566
General and administrative	398,663
Total expenses	11,780,022
Net decrease in fiduciary net deficit available for benefits	(3,123,283)
Fiduciary net deficit available for benefits, beginning of year	(902,818)
Fiduciary net deficit available for benefits, end of year	$ (4,026,101)

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The New Mexico Institute of Mining and Technology (the Institute or NMIMT) is declared to be and is confirmed as a state educational institution by Section 11 of Article XII of the Constitution of the State of New Mexico, as amended. The Institute was founded in 1889 under the New Mexico Territorial Laws of 1889.

According to the Constitution of the State of New Mexico, the legislature shall provide for the control and management by a Board of Regents consisting of five members appointed by the Governor and confirmed by the State Senate for overlapping terms of six years. Section 21-11-4 of the New Mexico Statutes Annotated, 1978 Compilation (NMSA 1978), also vests this control and management in the Board of Regents.

The Institute offers both graduate and undergraduate degree programs in many fields. Major programs offered include earth sciences, physical and biological sciences, mineral engineering disciplines, mathematics, and computer science. The Institute is also involved in numerous research projects, many of which are performed under government or private contracts.

2. Basis of Presentation

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis of Presentation ï Continued

In evaluating how to define the Institute for financial reporting purposes, management has evaluated the Institute's potential component units. The basic, but not the only, criterion for including a potential component unit as part of the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability of responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of the criterion involves considering whether the activity benefits the Institute. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing or fiduciary relationships, regardless of whether the Institute is able to exercise oversight responsibilities.

The following entities are presented in the financial statements as component units based on criteria as set forth in GASB Statements 14, 39, and 61:

Discretely Presented Component Units

In the financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the Instit

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. <u>Estimates</u>

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 expenditures during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include claims incurred but not reported liability (IBNR), net other postemployment benefits (OPEB) obligation, the unfunded accrued actuarial liability (UAAL) for postemployment benefits, depreciation, tuition discounts and allowances, environmental cleanup liability reserves and incurred cost rate audit adjustments, and fair value measurements on investments.

5. <u>Budget</u>

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

Procedures for Approval of Operating Budgets

a) The institution will submit an original typed copy that has been approved by the Institution's regents to the HED's office by May 1st.

b) The HED meets in June and acts on approval of the budgets.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and current investments, which are defined as investments that are readily convertible to cash or reach their original maturity date within three months. Cash restricted by grants, and collected for auxiliary projects is included in cash and cash equivalents. The Institute accounts for its investments at fair value in accordance with GASB Statement No. 31, Certain Investments and External Investment Pools.

8. Restricted Cash and Cash Equivalents

This cash is resources that the Institute is legally or contractually obligated to spend in accordance with imposed restrictions by third parties.

9. Investments

Investments are made in accordance with the Constitution of the State of New Mexico and the policies of the Board of Regents. The investment policy was amended to incorporate the provisions of the Uniform Prudent Investor Act, NMSA 47-7 (601-612) by Board Resolution during December 2013.

Stocks, bonds, real estate held for sale or investment, and similar investments are generally reported at fair value. The basis of determining the fair value of investments is the readily determinable sales price or current exchange rate of the investments based on prices or quotations from over-the-counter markets. In the case of pooled funds or mutual funds, the fair value is determined as the number of units held in the fund multiplied by the price per unit share as publicly quoted. The income from the Institute's interest in the Land Grant Permanent Fund, which interests are managed by the New Mexico State Investment Council, is distributed monthly to the Institute.

Assets held by others, which are neither in the possession of nor under the control of the Institute, are not reflected in the accompanying basic financial statements. The most significant example is assets held by the Foundation from which the Institute is entitled to 4.5% of the income but has no title to the assets themselves. However, income earned on such assets upon which the Institute has claim is recorded in the accompanying basic financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

16. Capital Assets - Continued

Depreciation on all assets is provided on the straight-line basis over estimated useful lives with no salvage value. Estimated useful lives and capitalization thresholds of capital assets are as follows:

17. Compensated Absences

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

21. Revenues

The Institute has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) most federal, state and local grants and contracts, and Federal appropriations, and (3) interest on institutional student loans.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, investment income, bond proceeds appropriations and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9,

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

23. Fiduciary Funds

Fiduciary funds are used to account for resources the Institute holds for others. It uses an agency fund to hold medical insurance premiums collected from the employees until the premiums are remitted to the insurance carriers. The Institute is responsible for seeing that the assets in these funds are spent for their intended purpose. The finances of these funds are reported in a separate statement of fiduciary net position. The resources of these funds are excluded from the business type activity financial statements because they cannot be used to finance the Institute's operations.

24. 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.

25. Appropriations

In general, unexpended state appropriations to the Institute do not revert at the end of each fiscal year. The Institute received an annual non-reverting state General Fund appropriation of $38,657,845 for fiscal year 2015, Laws of 2012, Chapter 19, Section 4. The appropriation was fully spent during the year. None of the current appropriations received are subject to reversion (NMSA 1978 6-4-2). There is no remaining balance to bring forward to fiscal year 2015.

The Institute periodically receives severance tax and general obligation bond appropriations for capital asset projects on the campus. Bond revenue from these appropriations is recorded only when eligibility requirements have been met. The eligibility requirements for capital projects financed by bonds are satisfied when all required documentation to support a drawdown of a bond fund is submitted and approved by the Board of Finance. See Supplementary Schedule 7 for details of current year bond activity and amounts remaining.

26. Land Grant Permanent Fund Income

The Institute is a beneficiary of the Ferguson legislation (1898) whereby lands of the State of New Mexico were allocated to the benefit of state educational institutions including income derived there from. NMSA 1978 19-1-17 is the enabling legislation to allocate specific lands to educational institutions including the Institute. Currently oil and gas royalties, coal royalties, and grazing fees produce investment income which is distributed monthly to beneficiaries based on their allocated lands.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

27. Subsequent Events

Subsequent events have been evaluated through November 13, 2015, the date which the financials were available to be issued, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2015. Management believes no other material subsequent events have arisen that would require adjustment or disclosure.

NOTE B – CASH AND INVESTMENTS

1. Cash

NOTE B – CASH AND INVESTMENTS – CONTINUED

1. Cash – Continued

Fiduciary Fund:

2. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Institution's deposits may not be returned to it. The Institution does not have a deposit policy for custodial credit risk. As of June 30, 2015, the Institute's custodial credit risk was as follows:

NOTE B – CASH AND INVESTMENTS – CONTINUED

3. Investments – Continued

United States government or are agencies sponsored by the United States government. The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary and the Institute has no control over the State Treasurer's investment pools.

Investments of the Institute consist of the following at June 30, 2015:

	Market Value
Short-term	$ 17,841,430
Endowment	40,774,202
Other long-term	43,120,225
	101,735,857
Fiduciary fund	$ 1,341,461
Total	$ 103,077,318

	Balance per Custodian Statements	Reconciled Balance per Books
Investment accounts		
Morgan Stanley		
Langmuir endowment		
Money market funds	$ 211,149	$ 211,149
Mutual funds	75,890	75,890
U.S. Government and corporate debt securities	472,533	472,533
Common stocks	1,766,439	1,766,439
NMT Capital Campaign		
Money market funds	50,664	50,664
Mutual funds	196,999	196,999
Corporate debt securities	148,105	148,105
Common stocks	297,416	297,416
First State Bank		
Certificates of deposit	100,000	100,000
Scottrade		
Student Investment Club		
Common stocks	188,518	188,518
State Investment Council Pooled Fund	45,518,650	51,665,615
State Treasurer - LGIP	17,741,430	17,741,430
Land Grant Permanent Fund	28,544,909	28,544,909
Total	$ 95,312,702	$ 101,459,667

NOTE B – CASH AND INVESTMENTS – CONTINUED

3. Investments - Continued

The Institute has no control over the State Treasurer's Investment pools and provides the following disclosure provided by the State Treasurer's Office concerning the Institute's investment in the New Mexico LGIP:

New Mexico LGIP AAAm rated $17,741,430 55 day WAM(R) and 78 day WAM (F)

The Institute has an undivided interest in assets of the State of New Mexico Land Grant Permanent Fund.

4. Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Institute does not have custodial credit risk policies for investments and does not have investments subject to custodial credit risk.
A summary of the Institute's investments at June 30, 2015 and its exposure to credit risk are as follows:

Investments	WAM Years	Rating	Fair Value
Items subject to credit risk:			
Money market funds	-	Not rated	$ 261,813
Debt securities	3.10	A-AAA	620,638
State Treasurer - LGIP	0.15	AAAm	17,741,430
Investments not subject to categorization			
State Investment Council pooled funds	-	Not rated	51,665,615
Total items subject to credit risk			70,289,496
Items not subject to credit risk:			
Certificates of deposit	-	Not rated	100,000
Mutual funds	-	Not rated	272,889
Common stocks	-	Not rated	2,252,373
Land grant permanent fund	-	Not rated	28,544,909
Total items not subject to credit risk			31,170,171
Total investments			$ 101,459,667

NOTE B – CASH AND INVESTMENTS – CONTINUED

6. Interest Rate Risk – Continued

NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2015:

NOTE D – CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Transfers	Retirements	Balance June 30, 2015
Land	$ 4,334,220	$ -	$ -	$ -	$ 4,334,220
Construction in progress	18,466,586	14,830,629	(27,900,028)	(308,135)	5,089,052
Total assets not being depreciated	$ 22,800,806	$ 14,830,629	$ (27,900,028)	$ (308,135)	$ 9,423,272
Non-major infrastructure networks	$ 30,245,908	$ -	$ -	$ -	$ 30,245,908
Land improvements	5,264,017	942,933	-	-	6,206,950
Buildings	163,561,314	26,957,095	-	-	190,518,409
Furniture, fixtures, and equipment	43,495,224	3,884,367	(12,499)	(899,044)	46,468,048
Software	1,745,277	-	-	-	1,745,277
Library materials	17,096,209	1,083,302	-	(29,080)	18,150,431
Total depreciable capital assets	$ 261,407,949	$ 32,867,697	$ (12,499)	$ (928,124)	$ 293,335,023
Non-major infrastructure networks	$ (11,621,646)	$ (994,628)	$ -	$ -	$ (12,616,274)
Land improvements	(2,824,164)	(183,836)	-	-	(3,008,000)
Buildings	(72,684,085)	(4,993,985)	(3,26)	--	(77,678,070)

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NOTE E – LONG-TERM LIABILITIES – CONTINUED

Long-term liability activity for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014		Balance June 30, 2015	Current Portion (Due in 2015)
Non-current liabilities				
Accrued compensated absences	$ 7,421,224	4,197,402		

* The Institute paid the principal payment due July 1, 2015 prior to June 30, 2015.

1. Environmental Cleanup

The Institute is preparing a complaint to be filed in the United States Court of Federal Claims against the United States that will seek equitable contract adjustment, restoration of property and damages for the cleanup of sites and facilities on the Institute's property that are contaminated with depleted uranium (DU). As part of the Government's weapons and munitions research and development during the years 1972 to 1992, munitions containing DU, which is a heavy metal and has very low level radioactivity were tested at the Energetic Materials Research and Testing Center (EMRTC). The Institute's Radioactive Material License issued by the State of New Mexico for possession of the DU requires decommissioning of sites and facilities. The Institute had submitted its claim for breach of express contracts, pursuant to the Contract Disputes Act (CDA) breach of implied contracts, and negligence requiring restoration of property, to the contracting officers of various US government and military related organizations in May 2011. The claim under the CDA was denied on April 13, 2012. A claim was also submitted to Government contracting officers for cleanup of DU at the Institute under the Federal Tort Claims Act. The Government's agency handling the claim did not respond to the claim within the prescribed time which may be deemed by the Institute a final denial of the claim.

The pending claim seeks damages to cover the cleanup on the basis of breach of contract in the United States Court of Federal Claims. If this action is unsuccessful, the Institute may be liable for all or part of the cleanup cost. The cleanup cost has not been definitely estimated, but preliminary estimates range from approximately $5,000,000 to $19,000,000. It is uncertain at the date of these financial statements as to the outcome of the Institute's recovery actions against the United States or the potential cleanup amount that might be ultimately required. The Institute has accrued $5,310,413 within non-current liabilities as of June 30, 2015.

NOTE F – BONDS PAYABLE

Long-term debt of the Institute at June 30, 2015 consists of revenue bonds. On August 5, 2011, the Institute issued the NMIMT System Revenue Bonds, Series 2011, in the par amount of $13,395,000, maturing July 2031, and carrying interest rates from 3.00% to 5.00%. These bonds were Board approved in 2011 to fund the acquisition, construction, and equipping of a student housing facility, the construction of facilities to house a telescope and related improvements including the purchase of equipment and furnishings at the Magdalena Ridge Observatory, and other improvements to the facilities of the Institute.

The Institute has pledged future net income and net revenues received from the Institute-owned Auxiliary Enterprises and housing and other facilities, all gross proceeds of student tuition and fees except student social and cultural activities fees, the gross amount received by the Institute from the income from the Permanent fund and Income fund, and all income or revenues received by the Institute as indirect cost recovery and fixed fee reimbursement from restricted grants and contracts, to repay the bond debt. Annual principal and interest payments on the bond are expected to require about 1% of pledged revenues.

Total Institute revenue bonded debt is as follows:

Annual debt service requirements for the Institute's revenue bonds to maturity are as follows:

NOTE F – BONDS PAYABLE – CONTINUED

The Institute has pledged future net income and net revenues received from Institute-owned Auxiliary Enterprises, housing and other facilities; all gross proceeds of student tuition and fees except student social and cultural activities fees; the gross amount received by the Institute from the income from the Permanent fund and Income fund; and all income or revenues received by the Institute as indirect cost recovery and fixed fee reimbursement from restricted grants and contracts to repay the bond debt. Annual principal and interest payments on the bond are expected to require about 6% of pledged revenues. Principal and interest paid for the current year and pledged revenues received were $1,072,000 and $18,258,000, respectively.

A bond premium of $655,401 remains unamortized as of June 30, 2015 with $40,688 being amortized during the year. Amortization of the bond premium in future years is $40,688 per year.

NOTE G – OTHER POSTEMPLOYMENT BENEFITS

Employee Benefit Trust

The Board of Regents authorized the creation of the New Mexico Tech Employees Benefit Trust (Trust), a contributory benefit plan, to operate, control and maintain a program to provide certain health and life insurance benefits to the employees of the Institute and their families. Retired employees may participate in the Plan. The Plan is considered a post-employment benefit plan as defined by GASB 43, *Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans*. The Trust is recorded as a fiduciary fund in the accompanying financial statements as a blended component unit. The Board of Regents serves as trustee and has delegated the day-to-day operations of the Trust to the executive staff of the Institute.

Plan Description

The Institute offers employees and their eligible dependents retiree benefits. The authority to

NOTE G – OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Plan Description – Continued

Trust Contributions as a % of Payroll

	Employee	The Institute	Total
FY 2014	0.00%	1.25%	1.25%
FY 2015	0.00%	1.25%	1.25%
FY 2016 and after	0.00%	1.25%	1.25%

Eligible retirees of the Institute receive healthcare coverage through one self-funded medical plan, including prescription drugs, administered by Meritain Health and Catamaran. Eligible Medicare retirees (for retirees 65 years of age and over) continue to receive healthcare coverage through Meritain Health as the Supplement Plan including vision and dental. Retirees are also offered $10,000 Retiree basic life insurance.

For the Trust, at the valuation date of July 1, 2014, there were a total of 152 retirees and 465 active participants.

Funding Policy

The Plan and Trust received its initial actuarial valuation during FY 2015. July 1, 2014 was selected as the valuation date. In the July 1, 2014 actuarial valuation, the Institute's plan is

NOTE G – OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

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.

In the July 1, 2014 actuarial valuations, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4% annual discount rate for the Institute. In the July 1, 2014 actuarial valuations, the plans are considered to be unfunded as there are no assets to fund OPEB benefits on that date, and retiree benefits are expected to be paid annually on a cash basis. Effective July 1, 2014, the Institute increased contribution rates to fund its OPEB benefits. The annual discount rate of 4% is based on the Citigroup Pension Liability Index as of the valuation date. The actuarial valuation assumes an annual healthcare cost trend on an ultimate basis: pre-65 medical benefits/stop loss fees on an ultimate basis of 3.0%, prescription drug benefits on an ultimate basis of 3.0%, administrative fees and dental benefits on an ultimate basis at 3.0%. The unfunded actuarial accrued liability (UAAL) is amortized over the maximum acceptable period of 30 years and is calculated assuming a level dollar basis for each individual active participant through retirement.

Annual OPEB Cost and Net OPEB Obligation

The Institute's annual other postemployment benefit (OPEB) cost (expense) is calculated

NOTE G – OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Annual OPEB Cost and Net OPEB Obligation – Continued

Annual Required Contribution of the Institute as of June 30, 2015		$ 5,518,536
Interest charge on net OPEB obligation		
Net OPEB obligation (asset), beginning of year	$ -	
Investment return rate (current)	4.00%	
Interest charge		-
Adjustment to ARC		
Net OPEB obligation (asset), beginning of year	$ -	
Amortization factor (15 years)	0.055606	
Adjustment to ARC		-
Annual OPEB cost as of June 30, 2015		5,518,536
Plan expenses paid by the Institute on behalf of Retirees during 2015		1,233,820
Retiree contributions during 2015		(808,864)
Net contributions paid by the Institute during 2015		424,956
Increase in Net OPEB obligation		5,093,580
Net OPEB obligation, beginning of year		-
Net OPEB obligation (asset), at end of year		$ 5,093,580

Normal cost		
As of July 1, 2014	$ 1,732,469	
With interest to June 30, 3015		$ 1,801,768
Amortization of UAAL		
Actuarial accrued liability at the valuation date of July 1, 2014	$ 64,270,477	
Available plan assets	-	
Unfunded actuarial accrued liability	$ 64,270,477	
Equivalent single amortization period (level dollar, closed)	30 years	
Amortization of UAAL with interest to June 30, 2015		3,716,768
Annual required contribution as of June 30, 2015		$ 5,518,536

NOTE G – OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Annual OPEB Cost and Net OPEB Obligation – Continued

Funding Progress of the Plan

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for fiscal year ended June 30, 2015, is as follows:

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plans were not funded. The Institute's UAAL, the present value of all future expected postretirement health payments and administrative costs attributable to past service, was $64,270,477, and the actuarial value of assets was $0, resulting in an UAAL of the full $64,270,477, or a funded ratio of 0%. The

NOTE H – CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

The liability for claims and claims adjustment expenses, which is reported on an ultimate development basis, includes an amount for claims incurred but not reported. Estimates of the liability for amounts incurred but not reported as of June 30, 2015, have been based on the Institute's historical claims' experience. While management believes that these estimates are adequate, actual incurred but unpaid claims may vary significantly from the amount provided.

As of June 30, 2015, the changes in reserves for claims and claims adjustment expenses are as follows:

NOTE I – TERMINATION PROVISIONS

The Trust may be terminated at any time upon due notice by the Trust Committee or the Institute. Upon termination, all monies remaining in the Trust will be used to pay any unpaid claims or used to continue benefits described in the Trust document until all such monies have been exhausted. In no event, upon termination, shall any assets of the Trust revert back to the Institute. The I t ˆ M я ʿ ʿ ʿ t

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NOTE J – HEALTH BENEFIT PLAN CHANGES – CONTINUED

requirements to the plan by 16%. For FY 2015, increases to net deficit available for benefits exceeded decreases by $1,970,297 before accrual of the unfunded net OPEB obligation of $5,093,580. After the recognition of the net OPEB expense, the net decrease in net deficit available for benefits was $3,123,283.

NOTE K – WORKERS' COMPENSATION INSURANCE

The Institute is insured for workers' compensation through the State of New Mexico General Services Department – Risk Management Division (RMD). RMD provides workers' compensation for all employees as ş

NOTE L – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

Benefits Provided – Continued

member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions

NOTE L – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$1,107,636
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	6,759,247
Changes in proportion and differences between the Institute's contributions and proportionate share of contributions	-	6,132,789
The Institute's contributions subsequent to the measurement date	4,922,248	-
Total	$4,922,248	$13,999,672

$4,922,248 reported as deferred outflows of resources related to pensions resulting from Institute contributions subsequent to the measurement date June 30, 2014, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	$4,203,848
2017	4,203,848
2018	3,902,164
2019	1,689,812
	$13,999,672

NOTE L – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

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, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. Specifically, the liabilities measured as of June 30, 2014 incorporate the following assumptions:

1. All members with an annual salary of more than $20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% thereafter.
2. 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.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

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:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

NOTE L – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

<u>Actuarial assumptions - Continued</u>

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

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NOTE L – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

Discount Rate

A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2014 and June 30, 2013. 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

NOTE L – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

Alternative Retirement Plan – Continued

The employee contributes 10.7% of their gross covered salary. ERB employers pay a 3% contribution rate to cover the actuarial impact on the Defined Benefit Plan

NOTE N – BOND APPROPRIATION ACCOUNTING

The Institute has periodically received severance tax and general obligation bond appropriations for capital asset projects on the campus of the Institute. Bond revenue from these appropriations is recorded only when eligibility requirements have been met. The eligibility requirements for capital projects financed by bonds are satisfied when all required documentation to support a drawdown of a bond fund is submitted and approved by the Board of Finance.

NOTE O – ENDOWMENTS

The Institute has donor-restricted and unrestricted endowments with the authority to use interest, income, dividends, or profits of endowments for specified purposes for the benefit of the institution and its students. Expendable funds are those funds that may be expended for either a stated purpose or for a general purpose as per the endowment gift terms.

NOTE P – RECONCILIATION OF BUDGET BASIS TO GAAP – CONTINUED

Budget basis expenditures	$ 153,204,051
Tuition discounts and allowances	(4,779,711)
Indirect cost recovery	(8,233,781)
Capital expenditures	(19,029,699)
Deposits held for other	(655,226)
Depreciation expense	9,703,812
OPEB expense	5,093,580
Net pension benefit	(1,903,985)
Unbudgeted exhibits	3,443,253
Expenditures per GAAP	$ 136,842,294

NOTE Q – THE NEW MEXICO TECH RESEARCH FOUNDATION

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers cash on hand, cash held in banks and highly liquid instruments with original maturities of three months or less to be cash and cash equivalents.

2. Notes Receivable

Notes receivable are stated at net realizable value. Management reviews the collectability of its notes receivable and, if necessary, records an allowance for its estimate of uncollectible accounts. Bad debt history and current facts and circumstances are the primary basis for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. There is no allowance for doubtful accounts deemed necessary at June 30, 2015 as the notes are secured by real estate.

3. Revenue and Cost Recognition

The Foundation's financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred.

Operating revenues and contribution are those received by the Foundation for events and activities that relate directly to the Foundation and operating expenses are those incurred for events and activities that relate to administration, scholarships and awards for students. Revenues from investments are considered non-operating.

NOTE Q – THE NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

5. Investments – Continued

NOTE Q – THE NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

8. <u>Patents</u>

NOTE Q – NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

12. Investments

None of the Foundation's investments are exposed to custodial credit risks as they are all registered. Also, the Foundation holds no debt securities and therefore the investments are not subject to credit or interest rate risk. A summary of the investments at June 30, 2015 are as follows:

	Ratings	Fair Value
Held at ¤ i ž 6 ± m ʾ ʿ ±		

13. Notes Receivable

The Foundation funded the construction of a building for a company which leases land from the Institute. The Foundation has a note receivable for the amount of the loan of $827,998 of which $166,000 is current and $661,998 is noncurrent. The note bears a variable rate of interest based on Wall Street Journal Prime (currently 3.25%), is payable monthly over 15 years and is secured by the building. The Foundation also has a note receivable in the amount of $153,307 of which $2,800 is current and $150,507 is noncurrent at June 30, 2015. The note bears a 6% interest rate and is payable monthly over 36 months with remaining balance due at maturity.

NOTE Q – NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

14. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and building held for investment	$ 613,213	$ -	$ (1,800)	$ 611,413
Other	130,500	-	-	130,500
Total capital assets not being depreciated	743,713	-	(1,800)	$ 741,913
Capital assets being depreciated				
Building	1,648,127	-	-	1,648,127
Accumulated depreciation building	(675,597)	(59,932)	-	(735,529)
Total capital assets, net	$ 1,716,243	$ (59,932)	$ (1,800)	$ 1,654,511

The Foundation will not obtain the benefits of ownership of the land and building held for investment until after the grantors' passing, in accordance with the life estate agreement. The agreement stipulates that the grantors maintain the benefits of the property and incur costs related to maintenance of the property. The Foundation does not have right of use of the property during the grantors' lifetime. As a result, the house, land, and parking lot are all real estate held for investment not subject to depreciation.

15. Intangible Assets

Identifiable intangible assets consist of the following at June 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance
Amortized patents				
Cost	$ 21,841	$ 61,762	$ -	$ 83,603
Less accumulated amortization	-	(22,512)	-	(22,512)
	21,841	39,250	-	61,091
Unamortized patents				
Cost	-	31,266	-	31,266
	$ 21,841	$ 70,516	$ -	$ 92,357

NOTE Q – NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

16. Related Party Transactions and Donated Services

The Institute provides the Foundation's office space in exchange for property management services provided to the Institute by the Foundation. These transactions are not recorded in the Foundation's financial statements, as they are not significant and the value is not subject to reasonable estimation.

The Foundation owns an insurance annuity through New York Life with a fair value of $1,832,269 which is the Annuity payable at June 30, 2015. The insurance annuity was acquired to benefit the president of the Institute. The Foundation's annual contribution to the insurance annuity was $153,000 in 2015.

Certain of the Foundation's board members are also officers of the Institute.

The Foundation leases an apartment building to the Institute. The lease is classified as an operating lease, and expired in June, 2015 and was renewed after year end. Lease revenues were $90,427 for 2015.

The Foundation received $700,000 from the Institute and repaid $806,931 to the Institute during the year ended June 30, 2015, related to funding scholarships.

The Foundation funded $1,487,437 in scholarships and awards provided to the Institute during the year ended June 30, 2015.

The Foundation provided other support in the amount of $405,756 during 2015.

The Foundation provided $200,000 to the Advance Office for fundraising during 2015.

The Foundation received a stock donation of $381,441, which it passed on to the Institute during 2015.

17. Risk Management

The Foundation is exposed to various risks of loss from torts; theft of; damage to, and destruction of assets; business interruption; and errors and omissions and natural disasters. The Foundation is insured under the Institute's Risk Management for liability and casualty insurance, and through a private carrier for director and officer liability insurance. There have been no significant reductions in coverage from the prior years.

During the year ended June 30, 2014, the Foundation was named as a defendant in a lawsuit involving a dispute with a business partner. The complaint claimed failure by the Foundation to provide or disclose technical information related to the licensing of a patent which would allow the licensee to commercialize the patent, and failure to create a legal entity with an operating agreement. This matter was settled on October 7, 2014, with the Foundation agreeing to pay $475,000 to settle the matter in full. Of the total, $150,000 was covered by liability insurance. No other settlements have occurred that exceeded coverage in the prior three years.

NOTE R – THE NEW MEXICO TECH UNIVERSITY RESEARCH PARK CORPORATION – CONTINUED

1. Summary of Significant Accounting Policies – Continued

Revenue and Cost Recognition – Continued

Operating revenues are typically derived by providing goods or services as well as recognition of income from sales of investments in exchange transactions. The Corporation did have one exchange transaction during the year ended June 30, 2015.

Operating expenses represent amounts paid to acquire or produce goods and services provided in return for operating revenues, and are necessary to carry out the mission of the Corporation. Examples of operating expenses are legal expenses, professional services, and certain taxes incurred from operations.

Non-operating revenues represent non-exchange transactions and investment income and unrealized appreciation in investments in which the Corporation received or gained value without directly giving a value in return. Examples of non-operating revenues include gains and losses from investments, interest income, and other income items. The Corporation had no non-operating expenses during the year ended June 30, 2015.

Net Position

NOTE R – THE NEW MEXICO TECH UNIVERSITY RESEARCH PARK CORPORATION – CONTINUED

2. Cash and Bank Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. The Corporation does not have a deposit policy for custodial credit risk. As of June 30, 2015, the Corporation's deposits were exposed to custodial credit risk as follows:

	First State
Total of deposits in the bank	$ 138,461
Less FDIC coverage	(138,461)
Total uninsured funds	$ -

Deposit classification in the financial statements at June 30, 2015 follows:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
First State Bank	Checking	Cash	$ 138,461	$ -	$ 138,461

3. Related Party Transactions

The Institute provides, on a rent-free basis, the Corporation's office space. This amount is not significant to report as in-kind lease revenue with an offset to in-kind lease expense in the same amount.

The Corporation has an obligation due to the Institute in the amount of $58,013. Of this amount, $39,078 relates to amounts paid in prior years on behalf of the Corporation by the Institute for start up costs and legal fees. Additionally, during the year ended June 30, 2015, the Institute paid an additional $18,935 in legal fees.

Certain of the Corporation's board members are also officers of the Institute.

NOTE S – NEW ACCOUNTING STANDARDS – CONTINUED

GASB 72 – Continued

Fair value application generally requires investments to be measured at fair value. An

NOTE S – NEW ACCOUNTING STANDARDS– CONTINUED

GASB 76

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Educational Retirement Board (ERB) Plan
Last 10 Fiscal Years*

June 30, 2015

<u>2015</u>

Institute's proportionate share of the net pension liability (asset)	$74,355,364
Institute's covered-employee payroll	$41,456,404
Institute's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	179%
The ERB's net position as a percentage of the total pension liability	66.5%

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

New Mexico Institute of Mining and Technology

SCHEDULE OF CONTRIBUTIONS
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

June 30, 2015

2015

Contractually required contribution at 13.9% of covered employee payroll	$5,762,440
Contributions in relation to the contractually required contribution	$5,135,439
Contribution deficiency (excess)	$627,001
The Institute’s covered-employee payroll	$41,456,404
Contributions as a percentage of covered-employee payroll	12.4%
The Institute's contributions subsequent to the measurement date	$4,922,248

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

NOTES TO DEFINED BENEFIT RETIREMENT PLAN

For the Year Ended June 30, 2015

NOTE A – CHANGES OF BENEFIT TERMS

The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure General Information on the Pension Plan.

NOTE B – CHANGES OF ASSUMPTIONS

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on April 26, 2013, ERB implemented the following changes in assumptions for fiscal years 2014 and 2013.

1. Fiscal year 2014 and 2013 valuation assumptions that changed based on this study:

    a. Lower wage inflation from 4.75% to 4.25%
    b. Lower payroll growth from 3.75% to 3.50%
    c. Minor changes to demographic assumptions
    d. Population growth per year from 0.75% to 0.50%

2. Assumptions that were not changed:

    a. Investment return will remain at 7.75%
    b. Inflation will remain at 3.00%

See also the Actuarial Assumptions subsection of the financial statement note disclosure General Information on the Pension Plan.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)
Schedule of Funding Progress and Employer Contributions

Year Ended June 30, 2015

The schedule of funding progress and the schedule of employer contributions present multi-year trend information for the initial (first) actuarial valuation comparing the actuarial value of plan assets to the actuarial accrued liability, and the actual contributions of the Institute to the annual required contributions.

Actuarial

Summary of Key Actuarial Method and Assumptions

Valuation Date	July 1, 2014
Actuarial Cost Method:	Entry Age Normal, allocated on a level basis of each individual active participant.
Asset Valuation Method:	Market Value.
Interest:	Discount rate as of July 1, 2014: 4.00%, compounded annually. Discount rate as of July 1, 2015: 4.00%, compounded annually. Rate of Return on Assets: 4.00%, compounded annually.
Inflation Rate:	2.0%
Projected Salary Increase:	2.0%
Mortality:	RP-2014 Mortality tables for males and females, projected with scale MP-2014 to 2014.
Participation Rate:	85% of current Active Employees eligible to participate in the postretirement medical plan will elect single coverage after retirement; 50% will elect to cover their spouses as well.
Spousal Participation Rate:	33% of current Active Employees will be married at retirement. If spousal birthdates are not available, male spouses are assumed to be three years older than female spouses.
Expenses:	None.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED
Schedule of Funding Progress and Employer Contributions – Continued

Year Ended June 30, 2015

Healthcare Cost Trend Rate

	Institute
Pre-65 Medical/Stop Loss Fees	3.0%
Prescription Drug/PostMedicare Medical	3.0%
Administrative Fee	3.0%
Dental	3.0%

The select trend rates remain constant each year for reaching the ultimate trend.

OTHER SUPPLEMENTARY INFORMATION

		Original Budget		Final Budget		Actual		Actual Over (Under) Budget
Beginning fund balances	$	36,385,545	$	47,358,275	$	46,572,668	$	(785,607)
Revenues								
State general fund appropriations		82,123,926		82,123,926		38,657,845		(43,466,081)
Restricted revenue sources		73,880,147		73,880,147		69,522,774		(4,357,373)
Tuition and fees		10,766,701		13,484,264		14,296,372		812,108
Land and permanent fund		1,050,000		1,050,000		2,505,328		1,

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	$ 36,385,545	$ 47,358,275	$ 46,572,668	$ (785,607)
Revenues				
Tuition	8,820,501	11,538,064	11,902,405	364,341
Miscellaneous fees	1,946,200	1,946,200	2,393,967	447,767
Government appropriation - federal	-	-	-	-
Government appropriation - state	82,123,926	82,123,926	38,657,845	(43,466,081)
Government appropriation - local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private contracts	-	-		-
Endowments	200,000	200,000	275,368	75,368
Land and permanent fund	1,050,000	1,050,000	2,505,328	1,455,328
Private gifts	-	-	-	-
Sales and service	7,041,581	7,041,581	6,118,574	(923,007)
Other sources	5,090,133	5,090,133	17,630,699	12,540,566
Total revenues	106,272,341	108,989,904	79,484,186	(29,505,718)
Total revenues and fund balance budgeted	142,657,886			

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	$ -	$ -	$ -	$ -
Revenues				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	292,445	292,445	6,563,908	6,271,463
Government appropriation - state	71,015	71,015		(71,015)
Government appropriation - local	-	-	-	-
Government grants - federal	56,828,204	56,828,204	42,154,913	

New Mexico Institute of Mining and Technology

UNRESTRICTED CURRENT FUNDS - SUMMARY OF INSTRUCTION AND GENERAL - REVENUES AND EXPENDITURES - BUDGET COMPARISONS

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	$ 2,580,705	$ 6,484,652	$ 5,699,043	$ (785,609)
Revenues				
Tuition	8,820,501	11,538,064	11,902,405	364,341
Miscellaneous fees	1,105,600	1,105,600	1,278,587	172,987
Government appropriation - federal	-	-	-	-
Government appropriation - state	27,508,300	27,508,300	27,508,337	37
Government appropriation - local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private gift/contracts	-	-	-	-
Endowment earnings	200,000	200,000	275,368	75,368
Land and permanent fund	1,050,000	1,050,000	2,505,328	1,455,328
Private gifts	-	-	-	-
Sales and service	-	-	-	-
Other sources	4,047,500	4,047,500	7,594,100	3,546,600
Total revenues	42,731,901	45,449,464	51,064,125	5,614,661
Expenditures				
Instruction	17,636,727	20,652,654	18,073,720	(2,578,934)
Academic support	3,730,962	4,071,546	3,170,017	(901,529)
Student services	2,232,553	2,734,436	2,014,491	(719,945)
Institutional support	8,604,703	10,564,023	7,938,532	(2,625,491)
Operation and maintenance of plant	5,236,713	5,236,713	6,426,484	1,189,771
Total expenditures	37,441,658	43,259,372	37,623,244	(5,636,128)
Net transfers	5,791,409	5,997,781	11,447,666	5,449,885
Change in net assets-budgetary basis	11,081,652	8,187,873	24,888,547	16,700,674
Ending fund balances-bugetary basis	$ 13,662,357	$ 14,672,525	$ 30,587,590	$ 15,915,065

New Mexico Institute of Mining and Technology

SCHEDULE OF DEPOSIT COLLATERAL

June 30, 2015

	Pledged Collateral: Safekeeping Location	Pledged Collateral: Type of Security	Maturity Date	First State Bank Socorro, NM	Wells Fargo Socorro, NM	Bank of America Socorro, NM	Total
Funds on deposit							
Deposits				$ 47,226,000	$ 1,607,623	$ 7,411	$ 48,841,034
Sweep account				-	-	-	-
FDIC insurance							
Demand deposits				(350,750)	(250,000)	(7,411)	(608,161)
Savings deposits				-	-	-	-
Total uninsured public funds				$ 46,875,250	$ 1,357,623	$ -	$ 48,232,873
Fifty percent collateral requirement per section 6-10-17 NMSA				$ 23,437,625	$ 678,812	$ -	$ 24,116,437
Pledged collateral	Federal Reserve Bank, Dallas, Texas	FFCB Non CBL CUSIP #31331QYJ0	3/28/2018	5,458,426	-	-	5,458,426
		FFCB Non CBL CUSIP #31331SVN0	12/28/2020	5,763,825	-	-	5,763,825
		FFCB Non CBL CUSIP #31331XX64	8/23/2021	4,782,960	-	-	4,782,960
		FFCB 2.20 CUSIP #3133ECK94	3/28/2023	4,894,280	-	-	4,894,280
		FHLB Non CBL CUSIP #3133X8EW8	8/15/2024	1,254,986	-	-	1,254,986
		FFCB 3.620 021125 CUSIP #31331KUD0	2/11/2025	3,841,020	-	-	3,841,020
		FFCB Non CBL CUSIP #31331VKU9	4/16/2025	3,625,323	-	-	3,625,323
		FFCB 2.63 CUSIP #3133EAG44	8/3/2026	1,919,370	-	-	1,919,370
		FHLB 3.00 CUSIP #3130A2YE3	9/11/2026	5,965,452	-	-	5,965,452
		FN WUB477 CUSIP # Various	Various	-	949,820	-	949,820
Total collateral				37,505,642	949,820	-	38,455,462
Excess of pledged collateral over the required amount				$ 14,068,017	$ 271,008	$ -	$ 14,339,025

New Mexico Institute of Mining and Technology

SCHEDULE OF MULTIPLE-YEAR CAPITAL PROJECTS FUNDED BY GENERAL OBLIGATION REVENUE BOND AND SEVERANCE TAX BOND CAPITAL OUTLAY APPROPRIATIONS FROM THE STATE

Year Ended June 30, 2015

		Authority/Chapter	Laws	Appropriation Period	Expiration	Total Appropriation	Bonds Sold to Date	Bonds Unsold	Amount Available	Prior Year Expenditures	Current Year Expenditures	Art in Public Places	Current Year Reversion Amount	Unencumbered Balance
General Obligation Revenue Bond														
GENERAL FUND														
General Obligation		Ch 54 Sec 10, Laws 2012		2013	6/30/2016	$18,000,000	$18,000,000	$ -	$18,000,000	$12,171,748	$ 5,648,252	$ 180,000	$ -	$ -
General Obligation		Ch65, Sec10, Laws 2014		2015	6/30/2018	15,000,000	15,000,000	-	15,000,000	-	581,615	150,000	-	14,268,385
Total General Obligation Revenue Bonds						$33,000,000	$33,000,000	$ -	$33,000,000	$12,171,748	$ 6,229,867	$ 330,000	$ -	$ 14,268,385
Severance Tax Bond Proceeds														
Severance Tax - 13A	Geology Bldg	226	2013	2014	6/30/2017	$ 6,000,000	$ 6,000,000	$ -	$ 6,000,000	$ -	$ 5,940,000	$ 60,000	$ -	$ -

RFB#/RFP #	Type of Procurement	Awarded Vendor	$ Amount of Awarded Contract With NMGRT	$ Amount of Amended Contract With NMGRT	Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work

RFB#/RFP #	***Type of Procurement***	***Awarded Vendor***	***$ Amount of Awarded Contract With NMGRT***	***$ Amount of Amended Contract With NMGRT***

RFB#/RFP #	Type of Procurement	Awarded Vendor	$ Amount of Awarded Contract With NMGRT	$ Amount of Amended Contract With NMGRT

RFB#/RFP #	Type of

RFB#/RFP #	***Type of Procurement***	***Awarded Vendor***	***$ Amount of Awarded Contract With NMGRT***	***$ Amount of Amended Contract With NMGRT***	***Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded***	***In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)***	***Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A***	***Brief Description of the Scope of Work***
1411005S	Bid	ESA Construction	$509,034.01	634,034.00				

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

See notes to schedule of expenditures of federal awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

For the Year Ended June 30, 2015

Federal Grantor Program Title	Award #	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic

See notes to schedule of expenditures of federal awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

For the Year Ended June 30, 2015

See notes to schedule of expenditures of federal awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Board of Regents

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; REQUIRED BY OMB CIRCULAR A-133

Board of Regents

The purpose of this report on internal control compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 13, 2015

SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Prior Year Finding Description		**Status**
Findings – Financial Statement Audit		
2013-002	Purchase Order and Other Authorizations (Material Weakness)	Repeated and Modified
2014-001	Timesheet Error (Control Deficiency)	Resolved
2014-002	Component Unit (NM Tech Foundation) Financial Close and Reporting (Significant Deficiency)	Resolved
2014-003	Component Unit (Employee Benefit Trust) Financial Close and Reporting (Significant Deficiency)	Resolved

Findings in Accordance with 2.2.2 NMAC (State Audit Rule)

None

Findings – Federal Award Findings and Questioned Costs

2014-004	Travel and Per Diem (Control and Compliance)	Resolved
2014-005	Per Diem Rates (Compliance)	Resolved

Current Year Finding Description

Findings – Financial Statement Audit

2013-002 Purchase Order and Other Authorizations (Material Weakneror Ṣ Ṣ Š ɐ ɔ ᵐ ɾ v σ
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New Mexico Institute of Mining and Technology

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_X_ Yes ____ No
Significant deficiencies identified?	_X_ Yes ____ None reported
Non-compliance material to financial statements noted?	____ Yes _X_ No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	____ Yes _X_ No
Significant deficiencies identified?	

2013-002 PURCHASE ORDER AND OTHER AUTHORIZATIONS (MATERIAL WEAKNESS)

CONDITION
In connection with our review of procurements, we reviewed certain invoices and purchase orders. In 5 out of 22 items tested with invoice amounts totaling approximately $45,412, the request date of the purchase orders were after invoice dates submitted by the vendor for payment. The disbursements appeared reasonable and necessary. Additionally, it was noted that change orders related to a major construction project were approved by an employee lacking the authority to obligate the Institute.

Corrective Action: Purchasing Services will continue to offer training and guidance for all procurement processes. A review of the current Purchasing Policy and Procedures will be conducted to determine if changes can be made to accommodate special circumstances such as purchases made out in the field or other emergency type situations and to determine appropriate sanctions for chronic violations of the policy (such as a written reprimand placed in the individual's personnel file and any other disciplinary action allowable by the NMT Employee Handbook, up to and including termination).

CRITERIA
NMSA 1978, Section 13-1-157 of the procurement code for goods as well as the procurement policy of a purchase order is required before the service or product is and authorization purposes. Only employees with statutory or Board-approved authorization may contractually obligate the Institute.

CAUSE
Some purchases must be made quickly and departments do not have time to complete the PO process before the goods or services are needed. However, there are instances where employees circumvent the controls.

EFFECT
Five out of 22 disbursements tested were out of compliance with the Institute's procurement policy. The protections of the purchase order control procedure were not applied before the incurring of an expenditure which increases the possibility of an inappropriate expenditure. The Institute was also obligated for significant construction expenditures without management's knowledge.

RECOMMENDATION
It is reemphasized that purchase orders should be obtained in advance of execution of the actual purchase for all department procurements. This should be monitored and enforced by finance and management, the purchasing department, and other responsible officials.

MANAGEMENT RESPONSE
The Purchasing Services Office conducts training every year at various times and dates to give faculty and staff a choice of when they may attend. Also, individual training is held with individuals that are identified as experiencing a high level of noncompliance. The subject of unauthorized purchases is discussed both in training and in emails sent out by Purchasing Services on a regular basis. When there is a violation of policy, the department is sent an email

2015-001 ENDOWMENT ACCOUNT RECONCILIATION AND TRACKING (MATERIAL WEAKNESS) – CONTINUED

CRITERIA

Per the Institute's investment policy, endowment corpus (principal) should be set aside for investment purposes and income earned from these invested funds shall be used as designated by the donor or governing body the annual amount of which is based on the Institute's spending policy. The purpose and authorized spending of endowment funds should be documented and monitored to ensure that funds are being used appropriately.

CAUSE

Staffing changes with inadequate information provided to successors and inadequate review of annual accounting entries. The lack of reconciliation of endowment accounts in net position to invested assets caused the Institute to transfer over $6 million to the investment account to ensure that endowment funds are all invested and incurring gains and losses on an equitable basis. The endowment was not being accounted for as an endowment causing the net position to be classified as unrestricted and increasing the risk that spending from this fund would exceed the amount allowed under the Institute's policy.

EFFECT

Individual endowment accounts were understated by approximately $6,423,000 and therefore general institutional funds were being used to fund endowments. Also, spending may not have been properly tracked for authorized purpose and restrictions.

RECOMMENDATION

The Institute has already made the effort to reconcile endowment accounts to invested funds and ensure that gains, losses, and spending allocations are accurate. We recommend documenting policies and procedures related to monitoring and accounting for endowments to ensure that institutional knowledge is available for successors to prevent future misstatements. We also recommend that management directed endowment spending be documented and approved by the Board of Regents at least annually. Finally, we recommend the Board of Regents revise the Institute's investment the he " va maman A ȁ φ m א ucc

2015-001 ENDOWMENT ACCOUNT RECONCILIATION AND TRACKING (MATERIAL WEAKNESS) – CONTINUED

CORRECTIVE ACTION PLAN
The NMIMT Investment Policy dated December 5, 2013, has been revised to include the adoption of the New Mexico Uniform Prudent Management of Institutional Funds Act (UPMIFA). Upon further research the NMIMT Investment Policy dated December 5, 2013 will be revised if found necessary, to include the adoption of the New Mexico Uniform Prudent Management of Institutional Funds Act (UPMIFA).

2015-002 PENSION CENSUS DATA TRANSMISSION (SIGNIFICANT DEFICIENCY)

CONDITION
During our testing of census data submitted to the Institute’s pension plan, we noted that 6 of 25 employees' census data the NM Educational Retirement Board (ERB) had on record compared with the census data approved and certified by the Institute did not agree as to employee personnel records for date of hire or date of birth. The Institute's census data provided to ERB was free from error and had been reviewed and approved prior to transmittal to ERB.

CRITERIA
The census data submitted by NMT as a participating employer in the NM Educational Retirement plan is used by the Plan's actuary in computing the Plan's net pension liability. Errors in the data submitted to the plan can affect the results of the actuary's calculations. Additionally, these errors may cause difficulty for employees attempting to claim their benefits in the future.

CAUSE
Unknown.

EFFECT
The effect of errors on the amount of the net pension liability or employee benefits is not able to be quantified.

RECOMMENDATION
We recommend that the Institute perform a review of the census data after it is processed by ERB and correct any errors.

MANAGEMENT RESPONSE
The Human Resources Office enters employee information from the ERB “Employee Checklist and Employment Certification” form, which includes the employee’s birthdate and certifies the hire date of the employee. After the information is entered into the Banner system by HR, the form is forwarded to the Payroll Office to be included in the next ERB payment. The original form is then sent to ERB.

Based on this process, ERB should be entering this information into their system and there should not be any discrepancy between our information and theirs. Other than possible data entry errors, we do not know why their information would not match ours.

CORRECTIVE ACTION PLAN
Human Resources will evaluate the process currently being used and coordinate with the ERB to identify any problems that may be causing the discrepancy between our records.

POINT OF CONTACT
Joann Salome, Human Resources Director and Lonnie Marquez, VP for Administration and Finance

2015-003 COMPONENT UNIT (NM TECH FOUNDATION) PATENT RECONCILIATION AND CLASSIFICATION (SIGNIFICANT DEFICIENCY)

CONDITION

New Mexico Institute of Mining and Technology

EXIT CONFERENCE

June 30, 2015

An exit conference was held on November 11, 2015, with the following in attendance:

For the New Mexico Institute of Mining and Technology:

Lonnie G. Marquez	Vice President for Administration and Finance
Jerry Armijo	Regent Treasurer
Richard Cervantes	Vice President for Administration & Finance Designate
Angie Gonzales	Associate Director of Human Resources
Leyla A. Sedillo	Associate Vice President for Budget and Analysis
Arleen Valles	Director of Finance
Emma Aafloy	Associate Director of Budget
Carrie Marsyla	Senior Accounting Manager Sponsored Projects
Camille Gurule	Assistant Controller
Melissa Tull	Controller
Gayle Bailey	Interim Director of Sponsored Projects

For Atkinson & Co., Ltd.:

Sarah Brack, CPA, CGFM	Audit Manager
Clarke Cagle, CPA, CCIFP, CGFM	Audit Director