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NEW MEXICO TECH
ONE HUNDRED AND TWENTY-FIVE YEARS OF EXCELLENCE

from gold dust to star dust

AUDIT REPORT 2014
Year ending June 30, 2014

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PRECISE. PERSONAL. PROACTIVE.

TABLE OF CONTENTS

OFFICIAL ROSTER iii

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 1-3

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)..... 4-14

BASIC FINANCIAL STATEMENTS

 Statement of Net Position 15-16

 Statement of Revenues, Expenses, and Changes in Net Position 17-18

 Statement of Cash Flows 19-20

 Statement of Fiduciary Assets and Liabilities – Agency Funds..... 21

 Notes to Financial Statements 22-53

SUPPLEMENTARY INFORMATION

 Combined Revenues and Expenditures – Budget Comparisons – Schedule 1 54

 Unrestricted Current Funds – Revenues and Expenditures –
 Budget Comparisons – Schedule 2..... 55

 Restricted Current Funds – Revenues and Expenditures –
 Budget Comparisons – Schedule 3..... 56

 Unrestricted Current Funds – Summary of Instruction and General
 Revenues and Expenditures – Budget Comparisons – Schedule 4 57

 Schedule of Deposit Collateral – Schedule 5..... 58

 Schedule of Changes in Position and Liabilities – Agency Fund –
 Employee Benefit Trust – Schedule 6..... 59

 Schedule of Multiple-Year Capital Projects Funded by General Obligation
 Revenue Bond and Severance Tax Bond Capital Outlay Appropriations
 from the State – Schedule 7..... 60

 Schedule of Expenditures of Federal Awards – Schedule 8..... 61-66

 Notes to the Schedule of Expenditures of Federal Awards..... 67

TABLE OF CONTENTS – CONTINUED

SINGLE AUDIT SECTION

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	68-69
Independent Auditor’s Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	70-72
Summary of Audit Findings	73
Schedule of Findings and Questioned Costs	74-82
Exit Conference.....	83

OFFICIAL ROSTER

June 30, 2014

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Dr. Jose Z. Garcia

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Cabinet Secretary, Higher Education

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Regents
New Mexico Institute of Mining and Technology
Socorro, New Mexico
and
Mr. Hector H. Balderas
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, 2014, 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, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute'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 Institute's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component units, and the fiduciary fund of the Institute, as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison statements for the year ended June 30, 2014, referenced as schedules 1, 2, 3, and 4 in conformity with the budgetary basis of accounting more fully described in Note A, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note A, the financial statements of the Institute are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities that are attributable to the transactions of the Institute. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2014, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America (US GAAP).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

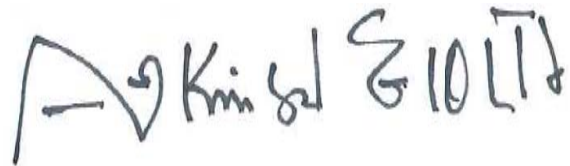
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Institute's basic financial statements and the budgetary comparisons. The schedules of deposit collateral and changes in assets and liabilities - agency fund - employee benefit trust and multiple year capital projects funded by special and severance tax 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 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 schedules referred to above and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014, on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Institute's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized flourish on the left side.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 14, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2014

The New Mexico Institute of Mining and Technology (New Mexico Tech, NMIMT, NMT, or the Institute) Management's Discussion and Analysis (MDA) of annual financial statements provide an overview of New Mexico Tech's financial activities for the fiscal year ending June 30, 2014. Also included for comparison purposes is a 2013 financial summary. This annual report marks the eleventh year the financial statements are presented in the Governmental Accounting Standard Board Statements (GASB) 34 and 35 reporting format. New Mexico Tech, as do all of New Mexico colleges and universities, uses the Business Type Activity (BTA) format to report the financial statements.

The purpose of the MDA is to provide users of this report with a brief overview of the year's activities as they relate to the funds and assets administered by New Mexico Tech. The MDA is a written discussion of the primary financial statements included in the annual report. It also provides the reader with a discussion of the major activities that occurred during the year and the effect of the activities to New Mexico Tech.

A brief summary is provided for the following financial reports:

- Statement of Net Position (SNP);
- Statement of Revenues, Expenses and Changes in Net Position (SRECNP); and
- Statement of Cash Flows.

The MDA gives New Mexico Tech's management a forum to analyze the activities for the fiscal year; including, but not limited to, a comparison of current fiscal year to last year's financial summary, enrollment data, research activities and capital projects. The report gives the reader a written assessment of the impact of the decisions made during the year that support the mission of New Mexico Tech. Therefore, the MDA begins with a brief description of the primary financial statements.

Statement of Net Position (SNP)

The Statement of Net Position is a report of the financial and capital resources managed by New Mexico Tech. The SNP is a summary of New Mexico Tech's assets and liabilities, and it is a "snapshot" of New Mexico Tech at the close of business at the date of the statement, in this case, June 30, 2014.

The statement format used by New Mexico Tech is Assets plus Deferred Outflows (if any) less Liabilities less Deferred Inflows (if any) equals Net Position in accordance with GASB 65, when applicable. Assets and liabilities are presented in the order of their liquidity. Thus, the current assets and current liabilities are listed before non-current assets and non-current liabilities. During 2014, there were no deferred outflows of resources consumed or deferred inflows of resources received and available as they relate to future cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2014

	Balance June 30, 2014 (In Thousands)	Balance June 30, 2013 (In Thousands)	Difference	% Change
Current Assets				
Cash and cash equivalents	\$ 30,444	\$ 34,841	\$ (4,397)	-12.6%
Short-term investments	18,810	23,371	(4,561)	-19.5%
Receivables, net	23,537	11,425	12,112	106.0%
Inventories	1,206	1,328	(122)	-9.2%
Other assets	2,592	2,307	285	12.4%
	<u>76,589</u>	<u>73,272</u>	<u>3,317</u>	<u>4.5%</u>
Non-Current Assets				
Restricted cash and cash equivalents	94	47	47	100.0%
Endowment investments	32,827	28,284	4,543	16.1%
Other long-term investments	42,318	37,765	4,553	12.1%
Capital assets, net	150,211	140,311	9,900	7.1%
	<u>225,450</u>	<u>206,407</u>	<u>19,043</u>	<u>9.2%</u>
Total Assets	<u>\$ 302,039</u>	<u>\$ 279,679</u>	<u>\$ 22,360</u>	<u>8.0%</u>
Current Liabilities				
	<u>\$ 11,559</u>	<u>\$ 12,103</u>	<u>\$ (544)</u>	<u>-4.5%</u>
Total Current Liabilities	11,559	12,103	(544)	-4.5%
Non-Current Liabilities				
	<u>22,185</u>	<u>22,435</u>	<u>(250)</u>	<u>-1.1%</u>
Total Non-Current Liabilities	22,185	22,435	(250)	-1.1%
Total Liability	33,744	34,538	(794)	-2.3%
Net Position				
Capital assets, net of related debt	138,146	127,786	10,360	8.1%
Restricted net position	73,814	78,852	(5,038)	-6.4%
Unrestricted net position	56,335	38,503	17,832	46.3%
Total Net Position	<u>268,295</u>	<u>245,141</u>	<u>23,154</u>	<u>9.4%</u>
	<u>\$ 302,039</u>	<u>\$ 279,679</u>	<u>\$ 22,360</u>	<u>8.0%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2014

Total assets increased \$22.4 thousand or 8.0 percent. Several categories in the asset classification changed during the fiscal year.

- Unrestricted Cash and Cash Equivalents decreased \$4.4 million due to the increase in accounts receivable. The receivable due from a Department of Energy contract was collected in July 2014.
- Short-Term Investments decreased \$4.6 million due to the construction cost paid by the bond funds invested at the NM State Treasurer.
- Net Receivables increased \$12.1 million. The increase included \$5.7 million due from the State of New Mexico for payments to the contractor of the Bureau of Geology building, and grant receivables of \$4.9 million due from the U.S. Department of Energy. The DOE payment was received July 2014.
- Endowment increase of \$4.5 million was the capital gains for the year.
- Capital Assets increase \$9.9 million. This is mostly the capitalization of the new Torres Dormitory.
- Total Liabilities decreased \$794 thousand.

Net Position is divided into three categories:

- Investment in capital assets, net of related debt: This category consists of capital assets reduced by outstanding debt and accumulated depreciation. The net increase is \$10.4 million.
- Restricted net position: This category is subdivided into non-expendable and expendable. The non-expendable is restricted assets earmarked for investment purposes only, such as endowments. Expendable restricted assets are available for expenditures restricted by the creditor, donor or other external source such as grants and contracts. This category decreased \$5 million.
- Unrestricted net position: This category reports the assets available to New Mexico Tech for any lawful purpose. These funds increased \$17.8 million.

Statement of Revenue, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position (SRECNP) is a report of New Mexico Tech's economic activity for the twelve-month period or fiscal year ending June 30, 2014. The SRECNP reports the revenues and expenses for one-year's activity, unlike the SNP, which is a snapshot of New Mexico Tech as of the date of the statement. Operating and non-operating revenues and expenditures are reported in this statement.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2014

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 increased \$5.2 million.
- Net tuition revenue increased \$393 thousand.
- Grants and contracts revenue increased \$2.8 million.
- All other operating income increased \$2 million.

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

- Total operating expenses decreased \$121 thousand.
- Research and other sponsored expenditures increased \$957 thousand.
- State appropriations, including I&G and RPSP, were \$36.8 million compared to last year's \$35.4 million.
- The net operating loss for this fiscal year is \$38.9 million compared to last year's net operating loss of \$40.9 million. The GASB required reporting format is mandated to exclude state support as operating revenue. New Mexico Tech and all state universities will report an operating loss from operations.
- Non-operating revenues are funds or commitments received in support of the Institute, but do not provide for the operation of the Institute, such as interest income, gifts and endowments. The one major exception for public colleges and universities is state appropriations. GASB 34/35 requires state appropriations to be included as non-operating revenues, even though those revenues are in direct support of the educational mission of the Institute. Instruction and general expenses are reported as operating expenses; therefore, because of this anomaly, an operating loss is reported each year. Non-operating expenses are the expenditure or investment of the funds received from non-operating sources.

Non-operating revenues increased \$19.6 million compared to last year. State appropriations increased \$1.4 million and capital appropriation increased \$12.3 million. Addition to endowments increased \$1.8 million. \$12.4 million was received from the State of New Mexico for the Bureau of Geology construction project.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2014

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

	Year Ending June 30, 2014 (In Thousands)	Year Ending June 30, 2013 (In Thousands)	Difference	%
Operating Revenue				
Tuition and fees	\$ 13,179	\$ 12,593	\$ 586	4.7%
Less discount allow	(3,696)	(3,503)	(193)	5.5%
G&C	68,405	65,618	2,787	4.2%
State L&P	5,052	3,823	1,229	32.1%
Sales and service aux	6,328	5,845	483	8.3%
Less discount allow	(1,364)	(1,214)	(150)	12.4%
Other	8,068	7,658	410	5.4%
	<u>95,972</u>	<u>90,820</u>	<u>5,152</u>	<u>5.7%</u>
Operating Expense				
Instruction	16,779	16,331	448	2.7%
Academic support	1,874	1,760	114	6.5%
Student services	1,909	2,052	(143)	-7.0%
Institutional support	7,614	7,282	332	4.6%
O&M	6,324	6,194	130	2.1%
Research	66,193	65,236	957	1.5%
Public service	521	628	(107)	-17.0%
Student aid	12,298	8,718	3,580	41.1%
Auxiliaries	5,299	5,275	24	0.5%
Less discount allow	(5,060)	(4,718)	(342)	7.2%
Depreciation	8,954	9,453	(499)	-5.3%
Independent ops	3,822	3,728	94	2.5%
Plant funds	3,423	1,867	1,556	83.3%
Other	4,959	7,892	(2,933)	-37.2%
	<u>134,909</u>	<u>131,698</u>	<u>3,211</u>	<u>2.4%</u>
Operating Loss	(38,937)	(40,878)	1,941	-4.7%
Non-Operating Revenue				
State appropriation	36,821	35,415	1,406	4.0%
Gifts	741	802	(61)	-7.6%
Int and investment income	52	78	(26)	-33.3%
Other	7,243	3,074	4,169	135.6%
Capital appropriation	12,400	118	12,282	10408.5%
Add to perm endow.	4,834	3,045	1,789	58.8%
	<u>62,091</u>	<u>42,532</u>	<u>19,559</u>	<u>46.0%</u>
Operating Revenue	95,972	90,820	5,152	5.7%
Non-Operating Revenue	62,091	42,532	19,559	46.0%
Total Revenue	\$ 158,063	\$ 133,352	\$ 24,711	18.5%
Total Operating Expense	\$ 134,909	\$ 131,698	\$ 3,211	2.4%

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2014

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 in accordance with US GAAP. The budget is adjusted twice a year with a Budget Adjustment Request (BAR) that is filed and approved by the Higher Education Department and the New Mexico Department of Finance (DFA).

The restricted current funds revenues and expenditures budget comparisons are submitted for informational purposes. Unlike the unrestricted current fund, the activity for restricted current funds does not coincide with the New Mexico Tech fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2014

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 estimated cost of the project is \$24 million. Funding for the building and associated projects is provided by: 2012 State of New Mexico General Obligation bond of \$18 million and \$6 million from the 2013 State of New Mexico Severance Tax Bond.

The building is located on Bullock Avenue between the New Mexico Tech Joseph R. Skeen Library and the MSEC building. Construction began in November 2013. The estimated completion date is April 2015. The project is on schedule.

The renovation of the Presidents Hall dormitory was approved by the New Mexico Tech Board of Regents at their March 2013 meeting. The estimated cost was \$1.6 million. The building was constructed in 1939 and in dire need of upgrading for all the mechanical systems. The project started at the end of the Spring 2013 semester and was completed in August 2014. Students were able to occupy the dormitory for the Fall 2014 semester. The project was completed within budget. The project was funded by Auxiliary Department capital reserve funds.

Steve S. Torres dormitory was completed on schedule, August 2013, in time for the Fall 2013 semester. The dormitory was fully occupied for the school year.

The upgrade to the mechanical system at Macey Center was approved by the Board of Regents at their May 2014 meeting. The estimated cost is \$428 thousand. The project includes the removal of the old unusable solar panels on the south side of the building. The project started August 2014 and is expected to be completed by December 2014.

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 will 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 Torres dormitory and related projects, and \$4 million is dedicated for equipment and construction of the Magdalena Ridge Observatory project. The funds for both projects have been expended. The semiannual payment of principle and interest is paid on January 1 and July 1. The outstanding long-term bond debt on June 30, 2014 was \$12,761,089. The FY12 debt issuance costs were not material to the financial statements and therefore, not restated in accordance with GASB 65.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2014

Currently Known Facts

Enrollment

Enrollment at New Mexico Tech continues to steadily increase.

The Fall 2014 freshman and transfers enrollment is 391 compared to 417 last year. However, total numbers are positive for New Mexico Tech.

School Year	Head Count	Credit Hours (CH)	End of Course CH
2010-11	1,914	45,499	41,597
2011-12	2,009	47,641	46,003
2012-13	2,105	50,865	49,425
2013-14	2,134	52,545	50,736

As the chart above demonstrates, head count, credit hours and end-of-course completion rates continue to increase. The end of course is one of the new bases used to calculate the higher education funding formula instead of credit hours that was used three years ago.

The national economy appears to be improving ever so slightly. Revenue forecasts for the State of New Mexico coffers increased last year, and the forecast for fiscal year 2016 is also increasing compared to 2015.

The New Mexico Tech faculty and administration have continued to deliver a quality education to the students. Additional faculty was hired for the current school year who replaced many unfilled positions that were on hold because of past budget reductions.

New Mexico Tech graduates with bachelor's degrees continue to get entry level employment in the \$60,000 and above pay range. This is a testament to the quality of the education received by New Mexico Tech graduates and the high demand for highly qualified students with science, technology, engineering and math (STEM) degrees.

Higher Education Funding Formula

The funding formula for higher education in New Mexico was revamped in fiscal year 2013. Instead of funding universities for student credit hours at the census date, third week of classes, the new formula now funds universities on outcomes, end-of-course completion, awards (diplomas and certificates), work force incentives (STEMH), at-risk student enrollment (Pell eligible) and sector-specific measures. The 2014 state funding for higher education is based on the new funding formula. The New Mexico Higher Education Department and the universities are working on the 2016 budget. Although state revenue is forecast to increase, the flow down to higher education is not expected to generate funding that will allow any major issues to be addressed. Funding for the university will be offset by costs such as health insurance, risk management insurance, utilities, etc. Faculty and staff salaries are also of concern. The NMT administration is in the early stages of developing a plan to address salaries for faculty and staff.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2014

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.

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. Most students have hands-on experience in their major field of study because of the research programs at New Mexico Tech. This is a rare opportunity for students, and it is provided by only a select few universities in the world.

NMIMT's Incurred Cost Audit report shows that externally funded research activity has increased for FY 14 compared to FY 13 as indicated below.

FY14	\$66,064
FY13	\$64,484
FY12	\$70,182
FY11	\$89,011
FY10	\$88,229
FY09	\$86,804

New Mexico Tech research programs are dependent on federal funding. The U.S. Congress action of continuing resolution instead of new annual budget has both a positive impact and negative impact. The positive impact is the projects continue to be funded. The negative impact is funding for new projects or additional funding for current projects is challenging to acquire.

The Bureau of Geology and Mineral Resources is mainly funded by the State of New Mexico through the Research and Public Service Projects (RPSP) line item in the higher education budget.

The Petroleum Research and Recovery Center is also funded via the RPSP budget. However, a U.S. Department of Energy carbon sequestration project has been in place for several years, and its expenditures increased from \$6.8 million in FY13 to \$14.3 million in FY 2014.

The Energetic Materials Research and Testing Center (EMRTC) research programs were flat for \$36.7 million in FY13 compared to \$33.7 in FY14. The \$20 million training program with Homeland Security was renewed. It is a premier training programmer for first responders in the United States.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2014

Research - Continued

The Magdalena Ridge Observatory interferometer is still under construction, but completion is expected to be on schedule. Future funding for the interferometer is highly dependent on the federal government approving a new federal budget. The single telescope is operational and has participated in many astronomical projects. Funds are available for the interferometer from 2012 from New Mexico Tech Revenue Bond funds to equip and construct the facility.

IRIS/PASSCAL Center federal funding is very stable. The contract was renewed with New Mexico Tech. It is a world-renowned program internationally recognized for its resources and research programs.

Economic Outlook

The economic outlook for New Mexico Tech continues to be closely monitored by the administration. Decisions by the NMT administration are dependent on actions taken by the state and federal government. Proactive financial and budget actions were taken early in the global economic downturn to reduce budgets. The result of adjusting the NMT base during the economic downturn of prior years is reflected in NMT's ability to continue to grow and thrive in the current year. Although the recent revenue forecast for the State of New Mexico is promising, future funding for higher education will be offset by continued increased operational costs and unfunded mandates placed on higher education by all levels of government, students and those served by colleges and universities. The New Mexico Tech staff has been very cooperative in managing their departmental budgets. The staff has picked up additional duties to continue to provide a quality educational experience for our students through ongoing student support services and educational enhancements.

New Mexico Tech's national and international reputation as an outstanding research university has made it a go-to organization for many federal, state and private companies to address their needs. The research programs enhance the teaching, research and economic development missions of New Mexico Tech, the local community, the State of New Mexico, and the United States of America.

The longevity and the success of the established programs at New Mexico Tech have helped solidify their funding; however, their budgets for future funding continue to be a target by both the state and federal grantors.

The New Mexico Tech Admission Office has increased its recruitment efforts in states such as Texas, California, Arizona, and Florida. These states are ripe for recruitment because their universities are at or near full capacity, and they have a large Hispanic population. New Mexico Tech has reached its goal of being recognized as a Hispanic Serving Institution. By qualifying as a Hispanic Serving Institution, more research and grants, plus other funding opportunities, are available to New Mexico Tech.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2014

Capital Projects

The Magdalena Ridge Observatory construction is still a work in progress. The total project is estimated at \$60 million. The first phase of the construction, the single telescope, is completed and operational. The second phase of the construction, the interferometer, is expected to be complete and operational within the next two years.

Requests for Information

Questions concerning any of the financial information provided in this report or requests for additional information should be addressed to Lonnie G. Marquez, Vice President for Administration and Finance, New Mexico Institute of Mining and Technology, 801 Leroy Place, Socorro, New Mexico 87801-4796. There are separately issued financial statements available for the New Mexico Tech Research Foundation and New Mexico Tech University Research Park Corporation, the component units of the Institute. These are available at the same location.

New Mexico Institute of Mining and Technology

STATEMENT OF NET POSITION

June 30, 2014

	Institute	Component Units	
		Research Park	Foundation
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 30,443,861	\$ 11,353	\$ 333,910
Short-term investments	18,810,336	-	-
Contract and grant billed and unbilled receivables	14,652,108	-	-
Student accounts receivable, net of allowance for doubtful accounts of \$429,168	428,765	-	-
General obligation bond cost-reimbursement and other accounts receivable	8,455,510	-	-
Inventories	1,206,144	-	-
Other assets	2,592,273	-	868,438
Total current assets	76,588,997	11,353	1,202,348
Noncurrent Assets			
Restricted cash and cash equivalents	94,399	-	-
Endowment investments	32,826,904	-	23,071,241
Other long-term investments	42,318,060	361,504	1,106,378
Capital assets, net of accumulated depreciation	150,210,738	-	1,738,084
Total noncurrent assets	225,450,101	361,504	25,915,703
Total assets	<u>\$ 302,039,098</u>	<u>\$ 372,857</u>	<u>\$ 27,118,051</u>

The accompanying notes are an integral part of this financial statement.

New Mexico Institute of Mining and Technology

STATEMENT OF NET POSITION - CONTINUED

June 30, 2014

	Institute	Component Units	
		Research Park	Foundation
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 7,109,775	\$ -	\$ 812,343
Accrued compensated absences - current portion	3,308,000	-	-
Due to primary government	-	39,078	-
Other liabilities	-	162,280	11,147
Deposits	210,320	-	-
Unearned revenue	930,949	-	-
Total current liabilities	11,559,044	201,358	823,490
Noncurrent Liabilities			
Accrued compensated absences	4,113,224	-	-
Bonds payable	12,065,000	-	-
Bonds premium, net of accumulated amortization	696,089	-	-
Other noncurrent liabilities	5,310,413	-	1,620,637
Total noncurrent liabilities	22,184,726	-	1,620,637
Total liabilities	33,743,770	201,358	2,444,127
NET POSITION			
Net investment in capital assets	138,145,740	-	1,738,084
Restricted for			
Nonexpendable			
Endowments and all other nonexpendable	65,101,096	-	3,302,153
Expendable			
Scholarships, research, instruction, and other	4,711,506	-	-
Loans	2,222,981	-	-
Capital projects	1,779,320	-	-
Debt service	-	-	-
Unrestricted	56,334,685	171,499	19,633,687
Total net position	268,295,328	171,499	24,673,924
Total liabilities and net position	\$ 302,039,098	\$ 372,857	\$ 27,118,051

The accompanying notes are an integral part of this financial statement.

New Mexico Institute of Mining and Technology

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2014

	Institute	Component Units	
		Research Park	Foundation
OPERATING REVENUES			
Tuition and fees	\$ 13,178,692	\$ -	\$ -
Tuition discounts and allowances	(3,696,116)	-	-
Federal grants and contracts	50,776,734	-	-
State and local grants and contracts	2,956,417	-	-
Private grants and contracts	9,943,171	-	-
Other grants and contracts	4,728,917	-	-
State land and permanent fund income	5,052,391	-	-
Sales and services of auxiliary enterprises	6,327,909	-	-
Auxiliaries scholarship allowances	(1,364,188)	-	-
Other	8,068,423	-	140,622
Total operating revenues	95,972,350	-	140,622
EXPENSES			
Instruction and general			
Instruction	16,779,003	-	-
Institutional support	7,614,168	-	-
Operations and maintenance support	6,323,927	-	-
Student services	1,908,834	-	-
Academic support	1,874,089	-	-
Other sponsored activities	39,699,809	-	-
Research	26,493,080	-	-
Student aid grants and stipends	12,297,860	-	-
Depreciation and amortization	8,953,990	-	59,932
Auxiliary enterprises	5,299,086	-	-
Other expenditures	4,958,820	15,371	1,323,286
Independent operations	3,822,004	-	-
Plant funds	3,423,307	-	-
Public service	520,992	-	-
Expense related to tuition discounts and allowances	(5,060,304)	-	-
Total operating expenses	134,908,665	15,371	1,383,218
Operating loss	(38,936,315)	(15,371)	(1,242,596)

The accompanying notes are an integral part of this financial statement.

New Mexico Institute of Mining and Technology

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - CONTINUED

Year Ended June 30, 2014

	Institute	Component Units	
		Research Park	Foundation
NONOPERATING REVENUES			
State appropriations	36,820,977	-	-
Gifts	741,233	-	-
Interest and investment income, net	51,760	279,944	5,091,733
Net nonoperating revenues	37,613,970	279,944	5,091,733
(Loss) Income before other revenues and expenses	(1,322,345)	264,573	3,849,137
OTHER REVENUES AND CAPITAL ITEMS			
Other revenues (expenses)	7,242,508	(166,690)	-
Additions to permanent endowments	4,834,478	-	-
Capital project appropriations from state issued bonds and other	12,399,892	-	-
Net other revenues	24,476,878	(166,690)	-
Net increase in net position	23,154,533	97,883	3,849,137
Net position, beginning of year	245,140,795	73,616	20,824,787
Net position, end of year	<u>\$ 268,295,328</u>	<u>\$ 171,499</u>	<u>\$ 24,673,924</u>

The accompanying notes are an integral part of this financial statement.

New Mexico Institute of Mining and Technology

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

	Institute	Component Units	
		Research Park	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES			
Tuition and fees	\$ 9,167,683	\$ -	\$ -
Grants and contracts	62,686,325	-	-
Sales and services of auxiliary enterprises	4,963,721	-	-
Other receipts	6,711,543	-	140,622
Payments to employees	(65,364,750)	-	-
Payments to suppliers	(60,460,022)	-	-
Other sources	-	(18,502)	(671,523)
Net cash used in operating activities	(42,295,500)	(18,502)	(530,901)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State appropriations	36,820,977	-	-
Gifts for other than capital purposes	741,233	-	-
Other nonoperating receipts	7,242,508	-	-
Net cash provided by noncapital financing activities	44,804,718	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(19,664,927)	-	-
Payments of principal on bond obligations	(500,688)	-	-
Payments of interest on bond obligations	(574,734)	-	-
Capital project appropriations from state issued bonds and other	12,399,892	-	-
Proceeds from disposal of capital assets	65,026	-	-
Net cash used in capital and related financing activities	(8,275,431)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of investments, net	-	-	233,642
Additions to endowments	4,392,600	-	1,124,624
Unrealized gain on land grant permanent fund	(4,649,826)	-	-
Distributions received	1,064,992	-	-
Investment purchases	(354,698)	-	(1,637,329)
Cash received for notes receivable, net	-	-	254,157
Investment income	962,515	-	157,913
Net cash provided by investing activities	1,415,583	-	133,007
Net decrease in cash and cash equivalents	(4,350,630)	(18,502)	(397,894)
Cash and cash equivalents, beginning of year	34,888,890	29,855	731,804
Cash and cash equivalents, end of year	<u>\$ 30,538,260</u>	<u>\$ 11,353</u>	<u>\$ 333,910</u>
Cash and cash equivalents			
Unrestricted	\$ 30,443,861	\$ 11,353	\$ 333,910
Restricted	94,399	-	-
Total	<u>\$ 30,538,260</u>	<u>\$ 11,353</u>	<u>\$ 333,910</u>

The accompanying notes are an integral part of this financial statement.

New Mexico Institute of Mining and Technology

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2014

	Institute	Component Units	
		Research Park	Foundation
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH USED BY OPERATING ACTIVITIES			
Operating (loss) income	\$ (38,936,315)	\$ 97,883	\$ (1,242,596)
Adjustments to reconcile operating (loss) income to net cash used by operating activities			
Depreciation and amortization expense	8,953,990	-	59,932
Other	-	(279,944)	-
Loss on sale of assets	255,710	-	-
Changes in assets and liabilities			
Student accounts receivable	(16,185)	-	-
Inventories	121,741	-	-
Other assets	(285,458)	(3,131)	-
Contract and grant billed and unbilled receivables	(5,686,313)	-	-
General obligation cost-reimbursement and other receivables	(6,409,271)	-	-
Accounts payable and accrued expenses	(565,595)	-	651,763
Other liabilities	(32,601)	-	-
Student and other deposits	(13,250)	-	-
Compensated absences	209,245	-	-
Other payables	108,802	166,690	-
Net cash used in operating activities	<u>\$ (42,295,500)</u>	<u>\$ (18,502)</u>	<u>\$ (530,901)</u>

The accompanying notes are an integral part of this financial statement.

New Mexico Institute of Mining and Technology

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS

Year Ended June 30, 2014

ASSETS	
Cash	\$ 201,502
Due from NMIMT	279,352
Prepayments	4,016
Short-term investments	<u>1,295,098</u>
Total assets	<u>\$ 1,779,968</u>
LIABILITIES	
Accounts payable	\$ -
Due to NMIMT	1,350,000
Other accrued liabilities	7,786
Claims incurred but not reported	1,325,000
Deposits held in custody for others	<u>(902,818)</u>
Total liabilities	<u>\$ 1,779,968</u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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. Reporting Entity

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 relationships, regardless of whether the Institute is able to exercise oversight responsibilities. In the financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the Institute. Based on the application of these criteria, the New Mexico Tech Research Foundation and New Mexico Tech University Research Park are included in these financial statements as discretely presented component units.

The New Mexico Tech Research Foundation (the Foundation) is a New Mexico not-for-profit corporation located in Socorro, New Mexico. The Foundation is organized to assist the New Mexico Institute of Mining and Technology by making available funds to pursue inventions, copyrights and other intellectual properties, institutional support and scholarships. The Foundation has no component units.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Reporting Entity – Continued

The inclusion of the assets and income of the Foundation as a component unit of the Institute, for accounting purposes only, has been directed by generally accepted accounting principles as applied to governmental units. It is, however, noted that as between the Institute and the Foundation, an agreement was reached on November 25, 2001 stating: "The Institute understands and agrees that the Foundation is not controlled by the Institute, but is controlled by the Foundation Board of Trustees." Thus, for all purposes, except accounting purposes, the Foundation has no obligation to provide resources and earnings to the Institute, except by action of the Foundation's Board of Trustees. The Foundation's Board of Trustees is not appointed by the Institute and is made up of four persons with no employment relationship with the Institute and only four persons with such a relationship. The Institute does not provide financial assistance to the Foundation, the Foundation pays rent for the office space it occupies in one of the buildings owned by the Institute, and the Institute does not control the Foundation Board of Directors. Therefore, the Foundation has the ability to direct its resources and income at its sole discretion.

The New Mexico Tech University Research Park Corporation (the Corporation), is a New Mexico corporation located in Socorro, New Mexico which has applied for not-for-profit status. The Corporation is organized to contribute to and assist the Institute by making available funds to pursue technology research and other programs being carried out by the Institute. The Corporation has no component units.

The financial statements of New Mexico Tech Research Foundation and New Mexico Tech University Research Park Corporation can be obtained directly at the Institute's office at the following address: New Mexico Institute of Mining and Technology, 801 Leroy Place, Socorro, New Mexico 87801.

3. Basis of Accounting

For financial reporting purposes, under GASB 34, GASB 35, and NM State Audit Rule, the Institute is considered a special-purpose government engaged only in business-type activities. Accordingly, the Institute's primary institution 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. All significant intra-agency transactions have been eliminated. Deferred inflows and deferred outflows of resources are now included in the elements that make up a statement of financial position and GASB 63 introduces the term "net position" for reporting the residual of all elements in a statement of financial position.

The Institute implemented Governmental Accounting Standards Board (GASB) Statement No. 62 during the year ended June 30, 2013, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" which codifies preexisting authoritative guidance from all sources into GASB standards and edits such standards for the government environment as appropriate. It further eliminates the election for proprietary fund and business type reporting entities to apply certain Financial Accounting Standards guidance after November 30, 1989.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basis of Accounting - Continued

The Institute implemented Governmental Accounting Standard Board Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position* (GASB 63) for the year ending June 30, 2013. GASB 63 introduces a fundamental change to the reporting of elements that make up a statement of financial position.

Deferred outflows of resources consumed and deferred inflows of resources received and available as they are now included in the elements that make up a statement of financial net position and GASB 63 introduces the term net position for reporting the residual of all elements in a statement of financial net position. The statement of financial net position of the Institute at June 30, 2014 conforms to the presentation requirements of GASB 63.

During the year ended June 30, 2014, the Institute implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 changes the classification of various financial statement balances including several more common type transactions for presentation as assets and liabilities to deferred outflows and inflows of resources. Any bond issuance costs for new bond authorizations will be expensed beginning this year under this standard. There were no new bond issuance costs incurred by the Institute during the year ended June 30, 2014. The FY12 debt issuance costs were not material to the financial statements and therefore, not restated in accordance with GASB 65. There were no deferred outflows or inflows of resources to separately report at June 30, 2014.

The Institute engages in federal grant, contract and cooperative agreement programs commonly referred to as “reimbursement type” programs. These programs require that the recipient (the Institute) must incur allowable costs as defined by the agreement types in order to draw down funds against the particular project. This is the principal eligibility requirement for the recognition of the revenue. Upon incurring an allowable cost, the Institute simultaneously recognizes a receivable and revenue in the amount of the expenditures incurred. All other eligibility requirements or grants, as applicable, must also be satisfied.

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 Government Accounting Standards Board (GASB) and the Higher Education Department’s Financial Reporting for Public Institutions in New Mexico.

The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the Institute’s assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. 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 expenditures during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include depreciation, tuition discounts and allowances, environmental cleanup liability reserves and incurred cost rate audit adjustments, and fair value measurements on investments.

5. Budget

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.
- c) The budgets, as approved by the HED, are transmitted to the Budget Division of the Department of Finance and Administration for official approval prior to July 1.

Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year, and are available for appropriation by the Institute in subsequent years, per the General Appropriation Act.

6. Budgetary Basis and Control

Under Title 5 of the New Mexico Administrative Code, Chapter 3, part 4, paragraph 10 – Items of Budgetary Control: total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary basis are as follows: (1) unrestricted and restricted expenditures are considered separately; (2) total expenditures in instruction and general; (3) total expenditures of each budget function in current funds other than instruction and general; and (4) within the plant funds budget, the items of budgetary control are major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service. Budget revisions must be approved by the executive secretary of the New Mexico Department of Higher Education and then by the Budget Division of the Department of Finance and Administration.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

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

Certain investments such as debt and equity securities and pooled investment funds are recorded at market value. The change in the unrealized gain or loss on the carrying value of investments is reported as a component of investment income in the statements of revenues, expenses and changes in net position. The carrying value of investments is based on quoted market prices.

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 will be structured in accordance with the Uniform Prudent Investor Act, NMSA 47-7 (601-612) by Board Resolution during December 2013.

The Institute accounts for its investment portfolio at the fair market value on June 30 of each fiscal year. Endowment income is reported each year based on the fair market value of the investments. The investments are managed on a total return basis with 4.5% of the average five year market value being made available for expenditure, and the remaining returns retained in the funds to compensate for inflationary growth. In the case of reserves, allocated, and agency funds, the total returns will remain with the funds until these funds are required to be expended for the purposes for which they were established. Unrestricted capital gains reported for the endowment fund pooled investments for fiscal year ending June 30, 2014 were \$4,335,358. Endowment income made available for distribution for the established purpose was \$998,489. The Institute has adopted the State of New Mexico Uniform Prudent Management of Institutional Funds Acts (Chapter 46, Article 9, NMSA 1978) in accounting for net appreciation/depreciation of endowments effective July 1, 2014.

10. Inventory

Inventories of supplies and materials held for sale or use are stated substantially at average weighted cost. Golf course inventory is stated at cost.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Income Taxes

The Institute, as an instrumentality of the State of New Mexico, is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Contributions to the Institute are deductible by donors as provided under Section 170 of the Internal Revenue Code. The Foundation is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code for its normal activities not unrelated to its exempt purpose. The Research Park Corporation is a C Corporation subject to federal and state income taxes. It has applied for nonprofit status as of June 28, 2013.

12. Accounts Receivable

The Institute records student tuition and fees and student accounts receivable at rates established at the time a student registers for classes. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the Institute's grants and contracts. A provision for uncollectible student accounts is recorded to maintain an adequate allowance for anticipated losses.

The allowance for doubtful accounts includes consideration for the credit risk associated with the various receivables. This allowance is attributed to accounts that have been deemed to be 100% uncollectible.

13. Other Receivables

Other receivables consist of amounts due under various agreements not related to grants or contracts and amounts due from component units. Management reviews the collectability of its receivables and, if necessary, records an allowance for its estimate of uncollectible accounts. Bad debt history and current facts and circumstances are their primary bases for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. There was no allowance at year-end.

14. Other Assets

Other assets primarily consist of student loans outstanding under the federal Perkins loan program.

15. Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statement of net position.

16. Capital Assets

This represents the Institute's capital assets less depreciation, net of any outstanding debt obligations related to those capital assets. Capital assets are defined as tangible or intangible assets that are used in operations and have a useful life beyond a single reporting period. The Institute has bond obligations related to capital assets for 2014 (see Note F).

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

16. Capital Assets - Continued

Property, plant, and equipment purchased or acquired at a value of \$5,000 or greater are capitalized per Section 12-6-10 NMSA 1978. All capital assets are valued at historical cost or estimated historical cost if actual history is not available. Donated assets, or those contributed by other governmental entities, are valued at their estimated fair market value on the date donated. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized in the year in which the project was completed. The Institute does not capitalize historical treasures or works of art as they are immaterial. Other costs incurred for repairs and maintenance are expensed as incurred.

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:

	<u>Life (in years)</u>	<u>Threshold</u>
Land improvements	30	\$ 100,000
Building	30	\$ 100,000
Infrastructure	30	\$ 100,000
Computers	3	\$ 5,000
Equipment	5	\$ 5,000
Vehicles	7	\$ 5,000
Heavy equipment	12	\$ 5,000
Library books	10	All
Software - minor	5	\$ 5,000
Software - major	10	\$ 50,000

17. Compensated Absences

The Institute accounts for the accumulated vacation leave on the accrual basis. Accrued vacation up to 240 hours for employees with 10 years of service and 336 hours thereafter is recorded at 100% of the employee's hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA). Employees exempt from coverage by FLSA earn one hour of compensatory time for each overtime hour.

18. Unearned Revenue

Revenue for each academic session is reported within the fiscal year during which the session is completed. Revenues for the summer session starting in May 2014 are shown as unearned revenue in the accompanying financial statements since the session was not completed at June 30, 2014. Unearned revenue does not include amounts received from grant and contract sponsors that have not yet been earned which are classified as deferred inflows of resources.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

19. Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

20. Net Position

The Institute's net position is classified as follows:

Net Investment in Capital Assets: Net investment in capital assets represent the Institute's capital assets, less related accumulated depreciation and debt attributable to the acquisition, construction, or improvement of these assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. The Institute has bond obligations of \$12,065,000 for purposes of constructing a dormitory and an educational building.

Restricted Net Position – Nonexpendable: Nonexpendable restricted net position consist of endowment and similar type funds in 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, which may either be expended or added to principal.

Restricted Net Position – Expendable: Expendable restricted net position include resources which the Institute is obligated to spend in accordance with restrictions imposed by external parties. Restrictions imposed on asset use can be imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation which includes a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party to use resources created by enabling legislation only for purposes specified by the legislation. The amount of net position restricted by enabling legislation and the amount of restricted net position from state sources was \$0 at June 30, 2014.

Unrestricted Net Position: Unrestricted net position represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Institute, 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

20. Net Position - Continued

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

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, *Reporting Cash Flows Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 34.

Contract and grant revenues are recognized when the underlying exchange transaction has occurred – that is when all eligibility requirements have been met.

State appropriations are recognized as revenue in the first year for which they are appropriated for.

22. Classification of Expenses

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

Operating expenses: Operating expenses include activities that have the characteristics of exchange transactions, such as (1) employee salaries, benefits, and related expenses; (2) utilities, supplies, and other services; (3) professional fees; and (4) depreciation expenses related to Institute property, plant, and equipment.

Non-operating expenses: Non-operating expenses include activities that have the characteristics of non-exchange transactions, such as interest on capital asset-related debt and other expenses that are defined as non-operating expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 34.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

23. Budgetary Process

Operating budgets are submitted for approval by the Board of Regents, the New Mexico Higher Education Department (HED), and the New Mexico Department of Finance and Administration-State Budget Division (DFA). Similarly, budget adjustment requests are submitted to and approved by the Board of Regents, then forwarded to the HED and DFA.

24. 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.

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 \$36,820,977 for fiscal year 2014, 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 accounting for the State of New Mexico was changed during fiscal year 2008; the new method conforms to DFA instructions based on Governmental Accounting Standards No. 33. Bond revenue is now 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 Schedule 7.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

27. Subsequent Events

Subsequent events have been evaluated through November 14, 2014, 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, 2014. Management believes no other material subsequent events have arisen that would require adjustment or disclosure.

The New Mexico Tech Research Park Corporation (the Corporation) has submitted Federal Form 1023, Application for Non-Profit Status to the IRS. The form was signed by management on June 23, 2013 and submitted to the IRS by the Corporation's legal counsel. There does not yet appear to be an affirmative determination letter received by management from the IRS as of the date of these financial statements. On November 6, 2014, management's legal counsel submitted a formal request to the IRS to clarify the status of the application and its effective date. Certain online listings of support organizations on IRS sites indicates that the Corporation may have been granted 501(c)(3) status.

Because the effective date and formal determination of not-for-profit status is currently unknown as of the date of issuance of these financial statements, the entity's management has accrued income taxes on profits for the year ended June 30, 2014.

NOTE B – CASH AND INVESTMENTS

1. Cash

The Institute is required to comply with Section 6-10-16 and 6-10-17 NMSA 1978, which requires that 50% of the uninsured balance of public deposits be secured by pledges of qualifying securities of the depository.

A detail of the cash accounts at June 30, 2014 is included below:

New Mexico Institute of Mining and Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE B – CASH AND INVESTMENTS – CONTINUED

1. Cash - Continued

New Mexico Institute of Mining and Technology:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Reconciled Balance
Bank of America	IERA Cash on Deposit	Checking	\$ 6,786	\$ -	\$ 6,786
First State Bank	Comptroller Cash on Deposit	Checking	32,003,294	(272,317)	31,730,977
First State Bank	Payroll Cash on Deposit	Checking	101,150	(1,389,361)	(1,288,211)
First State Bank	NMEAF Cash on Deposit	Checking	73,832	20,567	94,399
First State Bank	Stafford Loan Cash on Deposit	Checking	17,142	-	17,142
First State Bank	MRO Cash on Deposit	Checking	-	-	-
Wells Fargo	Vendor Cash on Deposit	Checking	554,631	(599,906)	(45,275)
Wells Fargo	Benefit Trust Operating	Checking	391,342	-	391,342
Wells Fargo	Benefit Trust Claims	Checking	113,798	-	113,798
			33,261,975	(2,241,017)	31,020,958
	Petty Cash	Cash	-	-	22,442
	Certificate of Deposit	CD	-	-	-
			<u>\$ 33,261,975</u>	<u>\$ (2,241,017)</u>	<u>\$ 31,043,400</u>

Agency Fund:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Reconciled Balance
Wells Fargo	Employee Ben. Trust Operating	Checking	\$ 391,342	\$ (190,924)	\$ 200,418
Wells Fargo	Employee Ben. Trust Claims	Checking	113,799	(112,715)	1,084
			<u>\$ 505,141</u>	<u>\$ (303,639)</u>	<u>\$ 201,502</u>

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, 2014, the Institute's custodial credit risk was as follows:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE B – CASH AND INVESTMENTS – CONTINUED

2. Custodial Credit Risk – Deposits - Continued

Bank balance insured or collateralized:	
In the Institute's name	\$ 32,195,417
Uninsured and uncollateralized	<u>1,066,558</u>
	<u>\$ 33,261,975</u>

The remaining balance of \$18,875,853 in the local government investment pool is valued by the State Treasurer. The Institute has adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*.

3. Investments

The Institute participates under a joint powers agreement in an Investment Pool (Pool) with the New Mexico State Investment Council (Council). Monies of Institute funds are pooled and invested by the Council in various debt and equity securities. Monies belonging to the New Mexico Tech Employees Benefit Trust (see Note G) and to the New Mexico Tech Research Foundation (see Note K) are included in the Pool under joint powers agreements with those entities; these amounts are not recorded on the Institute's financial statements. The Pool is recorded as investments on the Institute's balance sheets at market value. Since the Institute's investments are recorded at market value, there is a potential risk that due to the volatility of quoted market values, the Institute's recorded investments in the Pool could be significantly affected.

The Institute also has investments in the State Treasurer's external investment pool (the Local Government Investment Pool). The investments are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool 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 local government pool is voluntary and the Institute has no control over the State Treasurer's investment pools.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

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:

June 30, 2014
 New Mexico LGIP AAAM rated \$18,875,853 49 day WAM

Investments of the Institute consist of the following at June 30, 2014:

	<u>Market Value</u>	
Short-term	\$ 18,810,336	
Endowment	32,826,904	
Other long-term	<u>42,318,060</u>	
	93,955,300	
Agency fund	<u>1,295,098</u>	
	<u>\$ 95,250,398</u>	
	<u>Balance per</u>	<u>Reconciled</u>
	<u>Custodian</u>	<u>Balance</u>
	<u>Statements</u>	<u>per Books</u>
Investment accounts		
Citigroup		
Langmuir endowment		
Money Market funds	\$ 138,694	\$ 138,694
Mutual funds	79,918	79,918
Other	100,000	100,000
U.S. Government and corporate		
debt securities	522,258	522,258
Common stocks	1,868,825	1,868,825
NMT Capital Campaign		
Money Market funds	290,629	290,629
Mutual funds	805	805
Common stocks	392,487	392,487
State Investment Council Pooled Fund	43,755,766	43,755,766
State Investment Council Pooled Fund		
- Agency Fund	1,229,580	1,229,580
State Treasurer - LGIP	18,810,336	18,810,336
State Treasurer - LGIP - Agency Fund	65,518	65,518
Land Grant Permanent Fund	<u>27,995,583</u>	<u>27,995,583</u>
	<u>\$ 95,250,399</u>	<u>\$ 95,250,399</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE B – CASH AND INVESTMENTS – CONTINUED

3. Investments – Continued

A summary of the Institute's investments at June 30, 2014 and its exposure to custodial credit risk are as follows:

	Investments Exposed To Custodial Credit Risk		All Investments Regardless of Custodial Credit Risk Exposure
	Uninsured, Unregistered and Held by Counterparty Agency not in the Institute's Name	Uninsured, Unregistered and Held by Counterparty Agency not in the Institute's Name	Fair Value
Money funds	\$ -	\$ -	\$ 429,323
Other	-	-	100,000
Mutual funds	-	-	80,721
	<u>\$ -</u>	<u>\$ -</u>	610,044
Investments not subject to categorization			
State Investment Council pooled funds			
Fixed income securities			27,505,227
Equity securities			17,480,121
			<u>44,985,348</u>
State Treasurer			18,875,853
State Investment Council - Permanent Fund			27,995,583
Common stocks			2,261,312
Debt securities			522,259
			<u>49,655,007</u>
Total investments			<u>\$ 95,250,399</u>

4. State Investment Council Assets

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE B – CASH AND INVESTMENTS – CONTINUED

5. Custodial Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. The Institute is required to disclose credit ratings of their debt investments in order to assess credit risk. U.S. obligations, investments explicitly guaranteed by the U.S. Government, and non-debt investments are excluded from this requirement. Currently, the Institute does have a policy that restricts investments to specific investment ratings issued by nationally recognized statistical rating organizations. The policy states that cash equivalent reserves shall consist of interest bearing or discount instruments of the U.S. Government or agencies thereof; money market funds, corporate discounted instruments, corporate issued commercial paper rated at least A-1 by Moody's, time deposits U.S. banks. Exclusive of the U.S. government and agency issues, all other fixed income portfolio will be "A" or better rated as established by a recognized rating service and further reinforced by independent in-house credit analyses.

A summary of the investments at June 30, 2014 and their exposure to credit risk are as follows:

Investments	WAM Years	Rating	Fair Value
<i>Items subject to credit risk:</i>			
Money market funds	-	Not rated	\$ 429,323
Debt securities	3.10	A-AAA	522,259
State Treasurer - LGIP	0.13	AAAm	18,875,853
Investments not subject to categorization			
State Investment Council pooled funds		Not rated	44,985,348
Total items subject to credit risk			64,812,783
<i>Items not subject to credit risk:</i>			
Mutual funds	-	Not rated	80,721
Other	-	Not rated	100,000
Common stocks	-	Not rated	2,261,312
Land grant permanent fund		Not rated	27,995,583
Total items not subject to credit risk			30,437,616
Total investments			\$ 95,250,399

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE B – CASH AND INVESTMENTS – CONTINUED

6. Interest Rate Risk - Debt Investments

Interest rate risk is the risk that changes in interest. Rates will adversely affect the fair value of an investment. Currently, the Institution does not have a specific policy to limit its exposure to interest rate risk.

A summary of the investments and their respective maturities at June 30, 2014 and their exposure to interest rate risk are as follows:

	Investment Maturities				Fair Value
	Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years	
<i>Items subject to interest rate risk:</i>					
Money funds	\$ 429,323	\$ -	\$ -	\$ -	\$ 429,323
U.S. Government and corporate debt securities	309,189	105,492	106,806	772	522,259
Other	100,000	-	-	-	100,000
Mutual funds	80,721	-	-	-	80,721
	<u>\$ 919,233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	1,132,303
 <i>Investments not subject to categorization</i>					
State Treasurer - 49 day weighted average maturity					18,875,853
State Investment Council Pooled funds (not rated)					44,985,348
Land Grant Permanent Fund (not rated)					<u>27,995,583</u>
Total items subject to interest rate risk					92,989,087
 <i>Items not subject to interest rate risk:</i>					
Common stocks					<u>2,261,312</u>
Total investments					<u>\$ 95,250,399</u>

New Mexico Institute of Mining and Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2014:

Grant and contracts billed and unbilled	\$ 14,652,108
Students	857,933
General obligation bond cost-reimbursement and other receivables	<u>8,455,510</u>
Total receivables	23,965,551
Allowance for doubtful accounts	<u>(429,168)</u>
Total amounts receivable billed and unbilled, net	<u>\$ 23,536,383</u>

NOTE D – CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Transfers	Retirements	Balance June 30, 2014
Land	\$ 4,334,220	\$ -	\$ -	\$ -	\$ 4,334,220
Construction in progress	10,996,643	17,003,153	(8,863,476)	(669,734)	18,466,586
Total assets not being depreciated	<u>\$ 15,330,863</u>	<u>\$ 17,003,153</u>	<u>\$ (8,863,476)</u>	<u>\$ (669,734)</u>	<u>\$ 22,800,806</u>
Non-major infrastructure networks	\$ 30,245,908	\$ -	\$ -	\$ -	\$ 30,245,908
Land improvements	5,264,017	-	-	-	5,264,017
Buildings	154,942,764	8,863,476	-	(244,926)	163,561,314
Furniture, fixtures, and equipment	44,752,783	1,811,420	-	(3,068,984)	43,495,219
Software	1,745,277	-	-	-	1,745,277
Library materials	16,113,456	1,104,590	-	(121,837)	17,096,209
Total depreciable capital assets	<u>\$ 253,064,205</u>	<u>\$ 11,779,486</u>	<u>\$ -</u>	<u>\$ (3,435,747)</u>	<u>\$ 261,407,944</u>
Non-major infrastructure networks	\$ (10,624,191)	\$ (997,455)	\$ -	\$ -	\$ (11,621,646)
Land improvements	(2,656,044)	(168,120)	-	-	(2,824,164)
Buildings	(68,424,684)	(4,398,191)	-	138,790	(72,684,085)
Furniture, fixtures, and equipment	(35,425,963)	(2,513,556)	-	2,785,159	(35,154,360)
Software	(466,989)	(194,078)	-	-	(661,067)
Library materials	(10,486,402)	(682,590)	-	116,302	(11,052,690)
Total accumulated depreciation	<u>\$ (128,084,273)</u>	<u>\$ (8,953,990)</u>	<u>\$ -</u>	<u>\$ 3,040,251</u>	<u>\$ (133,998,012)</u>
Capital assets summary					
Capital assets not being depreciated	\$ 15,330,863	\$ 17,003,153	\$ (8,863,476)	\$ (669,734)	\$ 22,800,806
Depreciable capital assets, at cost	253,064,205	11,779,486	-	(3,435,747)	261,407,944
Total cost of capital assets	268,395,068	28,782,639	(8,863,476)	(4,105,481)	284,208,750
Accumulated depreciation	(128,084,273)	(8,953,990)	-	3,040,251	(133,998,012)
Capital assets, net	<u>\$ 140,310,795</u>	<u>\$ 19,828,649</u>	<u>\$ (8,863,476)</u>	<u>\$ (1,065,230)</u>	<u>\$ 150,210,738</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE E – LONG-TERM LIABILITIES

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

	Balance			Current	
	June 30, 2013	Increases	Decreases	Balance	Portion
				June 30, 2014	(Due in 2014)
Non-current liabilities					
Accrued compensated absences	\$ 7,211,979	\$ 3,853,675	\$ (3,644,430)	\$ 7,421,224	\$ 3,308,000
Environmental cleanup	5,201,611	108,802	-	5,310,413	-
Bonds payable	12,525,000	-	(460,000)	12,065,000	- *
Bond premium, net	736,777	-	(40,688)	696,089	-
	<u>\$ 25,675,367</u>	<u>\$ 3,962,477</u>	<u>\$ (4,145,118)</u>	<u>\$ 25,492,726</u>	<u>\$ 3,308,000</u>

* The Institute paid the principal payment due July 1, 2014 prior to June 30, 2014.

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, 2014.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE F – BONDS PAYABLE

Long-term debt of the Institute at June 30, 2014 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 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:

Purpose	Interest Rates	Amount
Capital improvements	3.00-5.00%	<u>\$ 12,065,000</u>

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

Year Ended June 30,	Principal	Interest
2015	\$ -	\$ -
2016	490,000	581,850
2017	500,000	557,350
2018	525,000	537,350
2019	540,000	516,350
2020-2024	3,130,000	2,197,750
2025-2029	3,980,000	1,340,500
2030-2032	<u>2,900,000</u>	<u>294,750</u>
Total	<u>\$ 12,065,000</u>	<u>\$ 6,025,900</u>

A bonds premium of \$696,089 remains unamortized as of June 30, 2014 with \$40,688 being amortized during the year. The Institute prepaid the bond principal of \$460,000 on June 30, 2014 which was due July 1, 2013, therefore no current portion is due.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE G – EMPLOYEE BENEFITS

1. 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 an agency fund in the accompanying financial statements. 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. The Institute contributed \$4,704,921 and employees and others contributed \$3,540,465 to the Trust during the year ended June 30, 2014. At June 30, 2014, the Institute's maximum annual liability exposure under the Trust is \$135,000 per individual and \$2,000,000 in the aggregate.

As of June 30, 2014, the changes in reserves for claims and claims adjustment expenses are as follows:

Liability for claims and claims adjustment expenses at beginning of year	\$ 700,000
Incurred claims and claims adjustment expenses	7,054,106
Payments, net of recoveries	<u>(6,429,106)</u>
 Liability for claims and claims adjustment expenses at end of the year	 <u>\$ 1,325,000</u>

The Trust has not obtained an actuarial study of the potential unfunded Other Post Employment Benefits (OPEB) liability directed to the information requirements of GASB 45. Therefore, the unfunded actuarial accrued liability (UAAL) and annual required contribution (ARC) remain undetermined at June 30, 2014. Management plans to obtain a completed study for FY15. (See Finding 2013-003.)

2. 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 required by state law. The Institute remits payments to RMD for this coverage based on premium statements received from RMD. Total premiums for the year ended June 30, 2014 was \$374,500, which has been charged to expenditures.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE G – EMPLOYEE BENEFITS – CONTINUED

3. Defined Benefit Retirement Plan

Plan Description. Substantially all of the Institute's full-time employees participate in an educational employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of state public institute 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, PO Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy.

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 10.10% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions

The Institute contributed 13.15% of gross covered salary in fiscal year 2014. In fiscal year 2015, the Institute will contribute 13.9% of gross covered salary.

The contribution requirements of plan members and the Institute are established in state statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Institute's contributions to ERB for fiscal years ending June 30, 2014, 2013, and 2012 were \$7,702,385, \$7,752,414, and \$7,957,492, respectively, which is equal to the amount of the required contributions for each fiscal year.

NOTE H – COMMITMENTS AND CONTINGENCIES

1. Operating Leases

The Institute is obligated under certain lease (rental) agreements, which are accounted for as operating leases. Incorporated in each lease agreement is a fiscal funding clause, which allows the Institute to cancel the operating lease if funding for future periods is not appropriated. The likelihood of such an occurrence is considered to be remote by the Institute. Rent expense for June 30, 2014 is \$377,401.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE H – COMMITMENTS AND CONTINGENCIES – CONTINUED

1. Operating Leases – Continued

Future minimum rental payments required under operating leases is as follows for the years ending June 30:

<u>Years Ending June 30,</u>			
2015		\$	412,521
2016			152,024
2017			107,171
2018			76,380
2019			60,274
2020 - 2024			203,940
2025 - 2029			180,000
2030- 2031			60,000
			60,000
		<u>\$</u>	<u>1,252,310</u>

2. Contingencies

Reimbursements for amounts expended by the Institute under the terms of federal and state grants and contracts are subject to audit and possible adjustments by the granting agency. Grants and contracts for the year ended June 30, 2014, are pending audits by federal and state agencies. It is the opinion of Institute management that adjustments, if any, will not have a material effect on the Institute’s financial position or results of operations.

3. State Risk Management Pool

The Institute as a state institute defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. Annual premiums are paid to the Office of Risk Management for coverage provided in the following areas:

- a) Liability and civil rights protection for claims made by others against the Institute.
- b) Coverage to protect the Institute’s property and assets.

The Institute participates in the State of New Mexico Risk Management Program (Risk Management), which provides liability, medical malpractice, and physical damage insurance. The Institute pays premiums for its participation. From time-to-time the Institute is subject to lawsuits including personnel and student liability matters in the ordinary course of business. No lawsuit settlements or outcomes have exceeded insurance coverage for the last 3 years.

The Institute is a defendant in legal actions arising from normal business activities. Management believes that those actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the Institute’s financial position or results of operations.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE H – COMMITMENTS AND CONTINGENCIES – CONTINUED

4. Other Commitments

At June 30, 2014, the Institute had issued purchase orders for materials and services which were not received and thus not reflected as liabilities in the accompanying basic financial statements. The amount of such commitments is \$29,386,640.

During 2011, the Institute has entered into a contract with Bradbury Stamm Construction to construct the Institute’s geology building. This project will be completed during fiscal year 2015. This project is funded by a general obligation bond issued pursuant to laws of 2012, Chapter 54, Section 10 in the amount of \$18,000,000 and by a severance tax bond pursuant to laws of 2013, chapter 226 in the amount of \$6,000,000 administered through the State Board of Finance. The amount of the contract is approximately \$20,500,000.

Total construction commitments of \$13,310,964 are not presented in the financial statements. These commitments represent unfinished contracts with various entities at June 30, 2014.

NOTE I – 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 J – RECONCILIATION OF BUDGET BASIS TO GAAP

Budget basis revenues	\$ 160,492,399
Tuition discounts and allowances	(5,060,304)
Indirect cost recovery	(7,640,156)
Cost share adjustment	(447,181)
Deposits held for other	16,504
Unbudgeted exhibits	4,601,034
RF receivable	1,090,164
L&P investment income, net of distribution	3,584,834
Plant fund receivable	1,681,613
Capital appropriation	<u>(255,709)</u>
Revenues per GAAP	<u>\$ 158,063,198</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE J – RECONCILIATION OF BUDGET BASIS TO GAAP – CONTINUED

Budget basis expenditures	\$ 153,972,510
Tuition discounts and allowances	(5,060,304)
Indirect cost recovery	(7,640,156)
Capital expenditures	(3,272,197)
Reclass entries	(15,837,734)
RF payable	1,090,167
Deposits held for other	715,160
Depreciation expense	8,953,990
Unbudgeted exhibits	1,986,809
Expense adjustment (wrong program)	420
	<hr/>
Expenditures per GAAP	<u><u>\$ 134,908,665</u></u>

NOTE K – THE NEW MEXICO TECH RESEARCH FOUNDATION

1. Cash and Cash Equivalents

For the 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. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) are reported as increases or decreases in unrestricted net position.

The Foundation has an agreement with the Institute for investment of the majority of the Foundation's funds. The majority of investments of the Foundation are held by the New Mexico State Investment Council. The Foundation's funds are combined with those of several other funds of the Institute. Income is allocated based on the proportionate market value of the investment of each participating fund.

3. Charitable Remainder Unitrust

Charitable remainder unitrust assets are the result of an agreement between donors and the Foundation in which the trust was established by the donors and administered by the Foundation. The Foundation is required to pay a fixed percentage of the fair market value of the trust's assets each year to a designated beneficiary during the beneficiary's lifetime. The trust assets were measured at the fair value when received. A corresponding liability is measured at the present value of expected future cash flows to be paid to the beneficiary.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE K – THE NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

4. Capital Assets

The Foundation records tangible and intangible capital assets purchased at cost; and donations at their estimated fair value. The building is being depreciated using a straight-line method over a twenty-seven and a half year estimated useful life. Patents pending are expected to be amortized over fifteen years upon notice of approval. The Foundation capitalizes property and equipment purchases with a cost over \$5,000.

5. Amortization

The Foundation amortizes patents using a straight-line method over the fifteen-year estimated life of the patents. There are currently no outstanding patents subject to amortization.

6. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and has been classified by the Internal Revenue Service as a public charity. The Foundation engaged in no material unrelated activities and therefore no provision for income taxes has been made. The Foundation is a supporting organization of the Institute and not a private foundation.

8. 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 Foundation does not have a deposit policy for custodial credit risk and does not require collateral. As of June 30, 2014, the Foundation's deposits were exposed to custodial credit risk as follows:

New Mexico Institute of Mining and Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE K – NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

8. Cash and Bank Deposits - Continued

	First State	Wells Fargo	Bank of America	Total
Total of deposits in the bank	\$ 283,212	\$ 10,479	\$ 5,855	\$ 299,546
FDIC coverage	(250,000)	(10,479)	(5,855)	(266,334)
Total uninsured funds	<u>\$ 33,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,212</u>
Custodial credit risk-deposits				
Account balance				\$ 299,546
FDIC insured				(266,334)
Uninsured and uncollateralized				<u>\$ 33,212</u>
Total deposits				\$ 299,546
Add: Money Market				44,863
Total deposits				<u>\$ 344,409</u>

Deposit classification in the financial statements at June 30, 2014 follows:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
First State Bank	Checking	Cash	\$ 183,028	\$ (10,499)	\$ 172,529
First State Bank	Savings	Cash	184	-	184
First State Bank	Certificate	CD	100,000	-	100,000
Bank of America	Checking	Cash	5,855	-	5,855
Wells Fargo	Checking	Cash	10,479	-	10,479
Merrill Lynch	Investment	Money Market	44,863	-	44,863
			<u>\$ 344,409</u>	<u>\$ (10,499)</u>	<u>\$ 333,910</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE K – NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED9. 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, 2014 are as follows:

<u>Investments</u>	<u>Ratings</u>	<u>Fair Value</u>
Held at Merrill Lynch investment account		
Equity securities	Not Rated	\$ 2,178,213
Alternative investments	Not Rated	502,989
Mutual funds	Not Rated	<u>359,089</u>
		3,040,291
Investments not subject to categorization		
State Investment Council (SIC) pooled funds		
Fixed income securities		2,626,248
Equity securities		16,484,062
Accrued distribution from the SIC		<u>(700,000)</u>
		18,410,310
Insurance annuity		<u>1,620,640</u>
Total investments		<u>\$ 23,071,241</u>

10. 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 \$993,912 of which \$165,776 is current and \$828,136 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 \$156,077 of which \$2,662 is current and \$153,415 is noncurrent at June 30, 2014. The note bears a 6% interest rate and is payable monthly over 36 months with remaining balance due at maturity.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE K – NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

11. Capital Assets

	2014			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated				
Land and building held for investment	\$ 153,150	\$ 460,063	\$ -	\$ 613,213
Other	130,500	-	-	130,500
Total capital assets not being depreciated	283,650	460,063	-	743,713
Capital assets being depreciated				
Building	1,648,127	-	-	1,648,127
Patents	21,842	-	-	21,842
Accumulated depreciation building	(615,666)	(59,932)	-	(675,598)
Total capital assets being depreciated, net	1,054,303	(59,932)	-	994,371
Total capital assets, net	\$ 1,337,953	\$ 400,131	\$ -	\$ 1,738,084

12. 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 market value of \$1,620,637 at June 30, 2014. The insurance annuity was acquired to benefit the President of the Institute. The Foundation's annual contribution to the insurance annuity was \$150,000 in 2014.

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 2013 with an option to renew for an additional three years. Lease revenues were \$97,041 for 2014.

The Foundation was due \$700,000 from the Institute (as the money passed through it) for a distribution it received from the State Investment Council as of June 30, 2014 for the purpose of funding scholarships. The amount was collected by the Foundation in July 2014.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE L – THE NEW MEXICO TECH UNIVERSITY RESEARCH PARK CORPORATION

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Corporation considers cash and cash equivalents to be cash deposits and amounts held by its fiscal agent.

2. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Income Taxes

The Corporation has historically been taxed as a C-corporation under the Internal Revenue Code (IRC).

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

During June 2013, the Corporation submitted an application to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and be classified by the Internal Revenue Service as a public charity. The IRS determination letter has not yet been received.

During 2013, the New Mexico Taxation and Revenue Department (NMTRD) assessed the Corporation \$80,749, plus penalties and interest due to disallowance of the State NOL carryforward relating to years before 2009.

During 2014, the matter went under administrative review and the outcome was not favorable to the Corporation with the NMTRD. The net operating loss carryforward for New Mexico administrative hearing appeal was denied by the NMTRD in May 2014 resulting in an estimated liability including penalties and interest of approximately \$101,900 as of June 30, 2014.

The provision for income taxes was approximately \$166,700 during the year ended June 30, 2014. The prior year valuation allowance of \$225,700 was reversed during the year ending June 30, 2014 that applied towards deferred tax assets arising from net operating losses which were fully taken (federal) or lost (state). In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE L – NEW MEXICO TECH UNIVERSITY RESEARCH PARK CORPORATION – CONTINUED

4. 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, 2014, the Corporation's deposits were exposed to custodial credit risk as follows:

	First State
	<hr/>
Total of deposits in the bank	\$ 11,353
Less FDIC coverage	<hr/> (11,353) <hr/>
Total uninsured funds	<hr/> <u>\$ -</u> <hr/>

Deposit classification in the financial statements at June 30, 2014 follows:

<u>Name of Depository</u>	<u>Account Name</u>	<u>Bank Account Type</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>	<u>Financial Statement Balance</u>
First State Bank	Checking	Cash	<u>\$ 11,353</u>	<u>\$ -</u>	<u>\$ 11,353</u>

5. Related Party Transactions

The Institute provides, on a rent-free basis, the Corporation's office space. This amount is included in the Statement of Revenues, Expenses, and Changes in Net Position as in-kind lease revenue in the amount of approximately \$35,500 with an offset to in-kind lease expense in the same amount.

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

The Corporation has a due to the Institute in the amount of \$39,078 for amounts paid on behalf of the Corporation by the Institute for start up costs and legal fees.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2014

NOTE M – NEW ACCOUNTING STANDARDS

GASB 67 and 68

These standards revise existing guidance for governments that provide their employees with pension benefits. A principal change is the requirement to record the government's pro rata share of unfunded actuarial accrued liability (UAAL) on its financial statements including multiemployer cost sharing plans. The Institute is a participating member of the Educational Retirement Board (ERB), a multiemployer cost sharing plan. See Note G. Other changes arising from these statements are significant and the Institute will comply with these changes as statement No. 68, most relevant to the Institute, is effective for FY 2015. At this time management is unable to estimate the magnitude of application of this standard to the Institute. However, for the year ending June 30, 2015, a material liability will be recorded on the books of the Institute. Information regarding ERB's current funding status can be found in their financial report.

GASB 69

This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term "government combinations" includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. GASB 69 is effective for FY 2015. The Institute has evaluated GASB 69 and does not believe that it will have an impact on its financial statements.

GASB 71

This standard revises existing guidance for a government employer to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of GASB 71 are required to be applied simultaneously with the provisions of GASB 68. (See above.) At this time management is unable to estimate the magnitude of application of this standard to the Institute.

SUPPLEMENTARY INFORMATION

New Mexico Institute of Mining and Technology

**COMBINED REVENUES AND EXPENDITURES -
BUDGET COMPARISONS**

Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	\$ 40,413,042	\$ 47,091,225	\$ 48,901,596	\$ 1,810,371
Revenues				
State general fund appropriations	63,124,700	63,124,700	47,539,257	(15,585,443)
Restricted revenue sources	80,601,641	73,901,747	76,124,442	2,222,695
Tuition and fees	9,102,423	12,060,875	13,178,692	1,117,817
Land and permanent fund	1,050,000	1,050,000	1,467,557	417,557
Endowment earnings/private gifts	200,000	200,000	259,389	59,389
Other	14,182,296	14,283,162	21,923,062	7,639,900
Total revenues	168,261,060	164,620,484	160,492,399	(4,128,085)
Total revenues and balance budgeted	208,674,102	211,711,709	209,393,995	(2,317,714)
Expenditures				
Instruction and general	34,455,763	40,378,536	36,183,479	(4,195,057)
Student social and cultural	467,099	875,309	674,412	(200,897)
Research	82,695,277	82,184,932	72,706,689	(9,478,243)
Public service	483,300	888,721	520,994	(367,727)
Internal service departments	1,406,808	874,985	3,748,915	2,873,930
Student aid	10,285,215	10,810,296	11,710,515	900,219
Auxiliary enterprises	5,491,481	5,575,049	5,299,086	(275,963)
Intercollegiate athletics	219,000	221,825	229,004	7,179
Independent operations	5,127,066	5,537,766	4,668,550	(869,216)
Capital outlay	28,285,000	28,285,000	18,160,265	(10,124,735)
Renewal and replacements	2,077,772	2,077,772	(500,325)	(2,578,097)
Retirement of indebtedness	1,045,815	1,060,500	570,926	(489,574)
Total expenditures	172,039,596	178,770,691	153,972,510	(24,798,181)
Net transfers	(238,049)	(238,049)	447,182	685,231
Change in net assets-budgetary basis	(4,016,585)	(14,388,256)	6,967,071	21,355,327
Ending fund balances-budgetary basis	\$ 36,396,457	\$ 32,702,969	\$ 55,868,667	\$ 23,165,698

New Mexico Institute of Mining and Technology

**UNRESTRICTED CURRENT FUNDS - REVENUES AND EXPENDITURES -
BUDGET COMPARISONS**

Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	\$ 40,413,042	\$ 47,091,228	\$ 48,901,596	\$ 1,810,368
Revenues				
Tuition	7,594,124	10,552,576	11,077,261	524,685
Miscellaneous fees	1,508,299	1,508,299	2,101,431	593,132
Government appropriation - federal	-	-	-	-
Government appropriation - state	63,124,700	63,124,700	47,539,257	(15,585,443)
Government appropriation - local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private gift/contracts	-	-	-	-
Endowments	200,000	200,000	253,889	53,889
Land and permanent fund	1,050,000	1,050,000	1,467,557	417,557
Private contracts	-	-	5,500	5,500
Sales and service	6,654,581	6,654,581	6,327,909	(326,672)
Other sources	7,527,715	7,628,581	15,595,153	7,966,572
Total revenues	87,659,419	90,718,737	84,367,957	(6,350,780)
Total revenues and balance budgeted	128,072,461	137,809,965	133,269,553	(4,540,412)
Expenditures				
Instruction and general	34,455,763	40,378,536	36,183,479	(4,195,057)
Student social and cultural	467,099	875,309	674,412	(200,897)
Research	9,206,900	15,396,446	7,901,346	(7,495,100)
Public service	483,300	888,721	520,994	(367,727)
Internal service departments	1,406,808	874,985	4,167,856	3,292,871
Student aid	4,042,966	4,568,047	5,022,481	454,434
Auxiliary enterprises	5,491,481	5,575,049	5,299,086	(275,963)
Intercollegiate athletics	219,000	221,825	229,004	7,179
Independent operations	4,256,051	4,666,751	3,880,598	(786,153)
Capital outlay	28,285,000	28,285,000	18,160,265	(10,124,735)
Renewal and replacements	2,077,772	2,077,772	(500,325)	(2,578,097)
Retirement of indebtedness	1,045,815	1,060,500	570,926	(489,574)
Total expenditures	91,437,955	104,868,941	82,110,122	(22,758,819)
Net transfers	(238,049)	(238,049)	(447,181)	(209,132)
Change in net assets-budgetary basis	(4,016,585)	(14,388,253)	1,810,654	16,198,907
Ending fund balances-budgetary basis	\$ 36,396,457	\$ 32,702,975	\$ 50,712,250	\$ 18,009,275

New Mexico Institute of Mining and Technology

**RESTRICTED CURRENT FUNDS - REVENUES AND EXPENDITURES -
BUDGET COMPARISONS**

Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	\$ -	\$ -	\$ -	\$ -
Revenues				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	292,445	292,445	6,228,007	5,935,562
Government appropriation - state	21,600	21,600	-	(21,600)
Government appropriation - local	-	-	-	-
Government grants - federal	68,624,019	65,624,019	49,688,568	(15,935,451)
Government grants - state	5,225,200	3,225,200	3,403,595	178,395
Contracts - other	-	-	4,728,920	4,728,920
Private contracts	2,296,000	1,296,000	9,943,170	8,647,170
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	735,733	735,733
Sales and service	4,029,877	3,329,983	552,909	(2,777,074)
Other sources	112,500	112,500	843,540	731,040
Total revenues	80,601,641	73,901,747	76,124,442	2,222,695
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	80,601,641	73,901,747	76,124,442	2,222,695
Expenditures				
Instruction and general	-	-	-	-
Student social and cultural	-	-	-	-
Research	73,488,377	66,788,483	64,805,343	(1,983,140)
Public service	-	-	-	-
Internal service departments	-	-	(418,941)	(418,941)
Student aid	6,242,249	6,242,249	6,688,034	445,785
Auxiliary enterprises	-	-	-	-
Intercollegiate athletics	-	-	-	-
Independent operations	871,015	871,015	787,952	(83,063)
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
	80,601,641	73,901,747	71,862,388	(2,039,359)
Net transfers	-	-	2,164,203	2,164,203
Change in net assets-budgetary basis	-	-	4,262,054	4,262,054
Ending fund balances-budgetary basis	\$ -	\$ -	\$ 6,426,257	\$ 6,426,257

New Mexico Institute of Mining and Technology

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

Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	\$ 2,580,705	\$ 4,552,615	\$ 4,552,615	\$ -
Revenues				
Tuition	7,594,124	10,552,576	11,077,261	524,685
Miscellaneous fees	603,100	603,100	997,070	393,970
Government appropriation - federal	-	-	-	-
Government appropriation - state	26,670,400	26,670,400	26,670,388	(12)
Government appropriation - local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private gift/contracts	-	-	-	-
Endowment earnings	200,000	200,000	253,889	53,889
Land and permanent fund	1,050,000	1,050,000	1,467,557	417,557
Private gifts	-	-	-	-
Sales and service	-	-	-	-
Other sources	4,227,500	4,227,500	6,808,430	2,580,930
Total revenues	40,345,124	43,303,576	47,274,595	3,971,019
Expenditures				
Instruction	16,421,226	19,626,458	17,338,396	(2,288,062)
Academic support	3,148,261	3,429,336	2,931,422	(497,914)
Student services	2,179,771	2,383,839	1,908,834	(475,005)
Institutional support	7,610,080	9,842,478	7,680,902	(2,161,576)
Operation and maintenance of plant	5,096,425	5,096,425	6,323,925	1,227,500
Total expenditures	34,455,763	40,378,536	36,183,479	(4,195,057)
Net transfers	(6,467,966)	(5,237,893)	(9,958,660)	(4,720,767)
Change in net assets-budgetary basis	(578,605)	(2,312,853)	1,132,456	3,445,309
Ending fund balances-bugetary basis	\$ 2,002,100	\$ 2,239,762	\$ 5,685,071	\$ 3,445,309

New Mexico Institute of Mining and Technology

SCHEDULE OF DEPOSIT COLLATERAL

June 30, 2014

	Pledged Collateral			First	Wells Fargo	Bank of	Total
	Safekeeping Location	Type of Security	Maturity Date	State Bank Socorro, NM	Socorro, NM	America Socorro, NM	
Funds on deposit							
Deposits				\$ 32,195,417	\$ 1,059,772	\$ 6,786	\$ 33,261,975
Sweep account				-	-	-	-
FDIC insurance							
Demand deposits				250,000	250,000	6,786	506,786
Savings deposits				-	-	-	-
Total uninsured public funds				\$ 31,945,417	\$ 809,772	\$ -	\$ 32,755,189
Fifty percent collateral requirement per section 6-10-17 NMSA				\$ 15,972,709	\$ 404,886	\$ -	\$ 16,377,595
Pledged collateral	Federal Reserve Bank, Dallas, Texas	FHLB Non CBL CUSIP #3133MJQF0	8/15/2016	2,427,514	-	-	2,427,514
		US T Notes CUSIP #912810DX3	11/15/2016	2,109,379	-	-	2,109,379
		FFCB Non CBL CUSIP #31331XSD5	3/8/2017	2,227,394	-	-	2,227,394
		US T Notes CUSIP #912510DZ8	8/15/2017	1,431,832	-	-	1,431,832
		FHLB Non CBL CUSIP #313370SZ2	9/8/2017	4,990,721	-	-	4,990,721
		FFCB Non CBL CUSIP #31331QYJ0	3/28/2018	4,890,902	-	-	4,890,902
		FFCB Non CBL CUSIP #31331SVN0	12/28/2020	4,962,620	-	-	4,962,620
		FFCB Non CBL CUSIP #31331XX64	8/23/2021	4,040,657	-	-	4,040,657
		FHLB Non CBL CUSIP #3133X8EW8	8/15/2024	1,093,826	-	-	1,093,826
		FFCB 3.620 021125 CUSIP #31331KUD0	2/11/2025	3,770,783	-	-	3,770,783
		FFCB Non CBL CUSIP #31331VKU9	4/16/2025	3,113,895	-	-	3,113,895
		FN AR2636 3.000% CUSIP #3138NY4W2	2/1/2043	-	139,525	-	139,525
		FN MA1306 3.000% CUSIP #31418ANY0	1/1/2043	-	529,970	-	529,970
Total collateral				<u>35,059,523</u>	<u>669,495</u>	<u>-</u>	<u>35,729,018</u>
Excess of pledged collateral over the required amount				<u>\$ 19,086,815</u>	<u>\$ 264,609</u>	<u>\$ -</u>	<u>\$ 19,351,423</u>

New Mexico Institute of Mining and Technology

**SCHEDULE OF CHANGES IN POSITION AND LIABILITIES -
AGENCY FUND - EMPLOYEE BENEFIT TRUST**

Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
ASSETS				
Cash	\$ 154,570	\$ 10,714,505	\$ 10,667,573	\$ 201,502
Due from NMIMT	242,975	280,817	244,440	279,352
Prepayments	6,341	845,828	848,153	4,016
Short-term investments	1,088,411	206,687	-	1,295,098
	<u>\$ 1,492,297</u>	<u>\$ 12,047,837</u>	<u>\$ 11,760,166</u>	<u>\$ 1,779,968</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to related parties	1,750,000	600,000	1,000,000	1,350,000
Other accrued liabilities	6,896	159,833	158,944	7,786
Liabilities for claims expense	700,000	625,000	-	1,325,000
Deposits held in custody for others	(964,599)	9,127,906	9,066,124	(902,818)
	<u>\$ 1,492,297</u>	<u>\$ 10,512,739</u>	<u>\$ 10,225,068</u>	<u>\$ 1,779,968</u>

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, 2014

Project Description	Authority/Chapter	Laws	Appropriation		Total Appropriation	Bonds Sold to Date	Bonds Unsold	Amount Available	Prior Year Expenditures	Current Year Expenditures	Art in Public Places	Current Year	Unencumbered Balance	
			Period	Expiration								Reversion Amount		
<u>General Obligation Revenue Bond</u>														
GENERAL FUND														
General Obligation	Ch 54 Sec 10, Laws 2012		2013	6/30/2016	\$ 18,000,000	\$ 18,000,000	\$ -	\$ 18,000,000	\$ 213,766	\$ 11,957,983	\$ 180,000	\$ -	\$ 5,648,251	
Total General Obligation Revenue Bonds					<u>\$ 18,000,000</u>	<u>\$ 18,000,000</u>	<u>\$ -</u>	<u>\$ 18,000,000</u>	<u>\$ 213,766</u>	<u>\$ 11,957,983</u>	<u>\$ 180,000</u>	<u>\$ -</u>	<u>\$ 5,648,251</u>	
<u>Severance Tax Bond Proceeds</u>														
Severance Tax - 13A	Geology Bldg	226	2013	2014	6/30/2017	\$ 6,000,000	\$ 6,000,000	\$ -	\$ 6,000,000	\$ -	\$ -	\$ 60,000	\$ -	\$ 5,940,000
Severance Tax - 12SA	MRO E&R Unit	64	2012	2014	6/30/2016	200,000	200,000	-	200,000	-	95,814	-	-	104,186
Severance Tax - 13A	MRO Maint Rm	226	2013	2014	6/30/2017	235,000	235,000	-	235,000	-	15,402	-	-	219,598
Severance Tax - 13A	Parking Lot	226	2013	2014	6/30/2017	100,000	100,000	-	100,000	-	69,669	-	-	30,331
Total Severance Tax Bonds					<u>\$ 6,535,000</u>	<u>\$ 6,535,000</u>	<u>\$ -</u>	<u>\$ 6,535,000</u>	<u>\$ -</u>	<u>\$ 180,885</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 6,294,115</u>	
Total Capital Appropriations					<u>\$ 24,535,000</u>	<u>\$ 24,535,000</u>	<u>\$ -</u>	<u>\$ 24,535,000</u>	<u>\$ 213,766</u>	<u>\$ 12,138,868</u>	<u>\$ 240,000</u>	<u>\$ -</u>	<u>\$ 11,942,366</u>	

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2014

Federal Grantor Program Title	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Subrecipient Expenditures	Fiscal Year Expenditures
Major Programs				
Research and Development Cluster				
Department of Defense				
U.S. Army	W56HZV-08-C-0034	12.Unknown	\$ -	\$ 2,559
	W911S6-09-P-0110	12.Unknown	-	4,446
	W912HZ-11-2-0013	12.Unknown	-	2,630
	W911QX-13-P-0028	12.Unknown	-	10,293
	W911NF-11-2-0036	12.Unknown	-	23,712
	H98230-06-C-0611	12.Unknown	(5,029)	(7,915)
	H98230-13-C-1356	12.Unknown	-	741,921
	W9124Q-05-H-0001	12.Unknown	16,720	1,322,524
	W9124Q-05-H-0001	12.Unknown	-	(7,258)
	W9124Q-05-H-001, LINE 000119	12.Unknown	-	-
	W9124Q-05H-001,LINE000120	12.Unknown	-	(32,386)
U.S. Air Force	F2KKBAC0354M0001	12.Unknown	-	80,878
		12.800	75,701	931,860
	FA-9200-12-C-0214	12.Unknown	-	75,438
		12.615	-	801,768
		12.615	156,186	159,186
	AGREEMENT 10/17/12	12.Unknown	-	(1)
U.S. Navy	N00421-12-2-N001	12.Unknown	10,165	10,165
	N00421-12-2-N004	12.Unknown	-	(16,885)
	N00421-12-2-N005	12.Unknown	-	55,513
	N00421-12-2-N007	12.Unknown	-	77,089
	N00421-12-2-N010	12.Unknown	-	230,174
	N00421-12-2-N009	12.Unknown	-	208,026
	IPA SCOTT T CRAIG 1/28/2014	12.Unknown	-	96,801
	N41756-10-C-3367 CLIN 3	12.Unknown	-	18,655
	N41756-10-C-3367	12.Unknown	-	753
	N41756-10-C-3367 - CLIN 0013	12.Unknown	-	8,784
	N41756-10-C-3367 CLIN 9	12.Unknown	-	350,071
	IPA W MC CARTHY 1/10/2012	12.Unknown	-	24,946
	IPA DAVID PINE	12.Unknown	-	198,009
	N00014-08-1-0241	12.Unknown	-	20,380
	N00178-13-P-4092	12.Unknown	-	30,645
		12.300	-	(3,849)
Misc. Department of Defense	PEAR	12.Unknown	-	4,573
Defense Advanced Research Projects Agency		12.910	-	624,558

See notes to schedule of expenditures of federal awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

June 30, 2014

<u>Federal Grantor Program Title</u>	<u>Funding Agency Identification Number/Contract ID</u>	<u>Catalog of Federal Domestic Assistance (CFDA) Number</u>	<u>Fiscal Year Subrecipient Expenditures</u>	<u>Fiscal Year Expenditures</u>
National Science Foundation		47.050	-	4,805
		47.074	-	4,967
		47.076	-	7,282
		47.041	-	73,762
		47.049	-	420,797
		47.050	-	933,170
		47.070	-	8,095
		47.076	22,992	119,054
		47.078	-	329,721
National Science Foundation - ARRA		47.082	-	74,185
Department of Energy				
Fossil Energy (National Energy Technology Laboratory)		81.089	86,873	666,284
DOE - ARRA	DE-FC26-05NT42591	81.Unknown	11,243,572	12,529,852
Department of the Interior		15.944	-	337,361
National Park Service	P12AT00380/P12AC71216	15.Unknown	-	5,370
	P12AC11011	15.Unknown	-	11,928
	J7810090024/P09AC00083	15.Unknown	-	10,160
		15.944	-	18,876
	P12AC11010	15.Unknown	-	904
U.S. Geological Survey		15.810	-	183,841
U.S. Geological Survey		15.816	-	-
U.S. Geological Survey		15.819	-	15,756
Bureau of Land Management		15.225	-	16,445
Bureau of Land Management		15.239	-	277,407
National Aeronautics and Space Administration		43.001	-	348,086
National Aeronautics and Space Administration		43.008	-	26,435
National Aeronautics and Space Administration	NNX08AE91G	43.Unknown	-	18,396
National Aeronautics and Space Administration	NNK12OR12C	43.Unknown	-	238,060
National Aeronautics and Space Administration	NNM11AA27P	43.Unknown	-	145,295
National Aeronautics and Space Administration	NNK13MA03P	43.Unknown	-	5,381
Department of Labor - Mine Safety		17.600	-	110,088
Total Direct Research and Development Cluster			11,607,180	22,989,826

See notes to schedule of expenditures of federal awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

June 30, 2014

Federal Grantor Program Title	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Subrecipient Expenditures	Fiscal Year Expenditures
Major Programs				
Research and Development Cluster - Pass throughs				
Department of Defense				
U.S. Army				
	Battelle Memorial Institute	US001-0000359801	-	8,107
	Battelle Memorial Institute	US001-0000404966	-	179,964
	Johns Hopkins University	12.630	-	130,956
	University of New Mexico	798178-8746	-	7,196
Defense Advanced Research Projects Agency				
	Duke University		-	30,723
Department of Energy				
	Los Alamos National Labs	243409-1	-	56,092
	Los Alamos National Labs	88805-001-10/149608-1	-	28
	Los Alamos National Labs	131480	-	1,017
	Los Alamos National Labs	162503-1	-	55,879
	Los Alamos National Labs	BA88805-001-10/SUB 112863	-	26,671
	Los Alamos National Labs	287510	-	2,475
	Sandia National Labs	1449569	348,142	427,919
	Sandia National Labs	1317050	-	44,184
	Sandia National Labs	1241903	-	9,822
	Sandia National Labs	1212703	-	25,680
	Sandia National Labs	1341090	-	29,772
	Sandia National Labs	1054763	-	14,693
	Sandia National Labs	1415731	-	124,853
	Sandia National Labs	1353582	-	135,800
	Sandia National Labs	1381505	-	237,227
	Sandia National Labs	1269949	-	3,929
	Sandia National Labs	1077079	-	59,112
	Sandia National Labs	1399125	-	28,726
	Sandia National Labs	1376548	-	35,662
	Sandia National Labs	1314381	-	155,584
	Sandia National Labs	1369703	-	45,515
	Sandia National Labs	1415664	-	17,867
	Sandia National Labs	1253246	-	636
	Sandia National Labs	1183915	-	1,004
	Sandia National Labs	1335747	199,645	316,844
	Sandia National Labs	PO 1415058	-	11,845
	Sandia National Labs	1294583	-	18,944
	Sandia National Labs	1363628	-	165,162
	Sandia National Labs	1359398	-	31,237
	Sandia National Labs	1431068	-	29,929
	Sandia National Labs	1324644	-	28,812
	Sandia National Labs	1402202	-	164,131
	Sandia National Labs	1252698	-	14,626
	Sandia National Labs	1200509	-	7,006
	Sandia National Labs	1186420	-	2,309
	Sandia National Labs	1368709	-	5,093
	Sandia National Labs	1419759	-	43,218
	Sandia National Labs	1252613	-	117,931
	Sandia National Labs	921948	-	385

See notes to schedule of expenditures of federal awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

June 30, 2014

Federal Grantor Program Title	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Subrecipient Expenditures	Fiscal Year Expenditures
Sandia National Labs	1152191	81.Unknown	-	-
Sandia National Labs	1473233	81.Unknown	-	283
Idaho National Laboratory	00134605	81.Unknown	-	15,911
Pacific Northwest National Laboratory	186113	81.Unknown	-	116
Research Partnership to Secure Energy for America	11123-03	81.Unknown	-	264,320
Research Partnership to Secure Energy for America	07-SCTA98-NMT/MOD 13	81.Unknown	-	119,482
Research Partnership to Secure Energy for America	09123-03	81.Unknown	-	73,626
University of New Mexico		81.049	-	2,491
Arizona Geological Survey		81.087	-	139,710
ARRA -University of Utah	10015030-NMGS	81.Unknown	-	17,463
TBA Power, Inc.	SERVICE AGREEMENT 4/10	81.Unknown	-	7,937
Department of Interior				
Regents of New Mexico State University		15.805	-	15,339
NASA				
Regents of New Mexico State University		43.001	-	17,307
Regents of New Mexico State University		43.008	-	56,507
Regents of New Mexico State University	Q01507	43.Unknown	-	3,303
Regents of New Mexico State University	Q01522	43.Unknown	-	15,581
Regents of New Mexico State University	Q01376 -NNX09AP69A	43.Unknown	-	134,521
Regents of New Mexico State University	Q01451	43.Unknown	-	45,000
Regents of New Mexico State University	Q01563	43.Unknown	-	17,282
University of California		43.001	-	17,055
Jet Propulsion Laboratory	RSA#1427781/NM0711043	43.Unknown	-	203,602
Jet Propulsion Laboratory	1472119	43.Unknown	-	11,985
Jet Propulsion Laboratory	SUB NO. 1361129	43.Unknown	-	(617)
Jet Propulsion Laboratory	SUBCONTRACT# 1478543	43.Unknown	-	20,485
Smithsonian Astrophysical Observatory	GO3-14005X	43.Unknown	-	9,976
Universities Space Research Association	SUB 06810-003	43.Unknown	-	9,465
Department of Health and Human Services - NIH				
University of New Mexico	MOA 8/8/12	93.Unknown	-	4,172
Regents of New Mexico State University		93.859	-	364,488
National Science Foundation				
Associated Universities/Very Large Array	341589	47.Unknown	-	3,000
Incorporated Research Institutions for Seismology		47.050	-	4,460,762
Incorporated Research Institutions for Seismology	96-NMT-GEOICE	47.Unknown	-	58,203
IRIS - ARRA	34-GSN	47.Unknown	-	34,286
Regents of New Mexico State University		47.075	-	18,437
Regents of New Mexico State University		47.076	-	27,044
Texas A & M Research Foundation	K011076	47.Unknown	-	186,941
University of New Mexico		47.079	-	14,108
University of New Mexico		47.080	-	795,319
University of New Mexico		47.081	-	16,248
University of Alaska		47.050	-	963
UNAVCO, Inc.		47.050	-	70,962
UNAVCO, Inc.		47.082	-	127,503
Total Pass through Research and Development Cluster			547,787	10,255,131
			12,154,967	33,244,957

See notes to schedule of expenditures of federal awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

June 30, 2014

<u>Federal Grantor Program Title</u>	<u>Funding Agency Identification Number/Contract ID</u>	<u>Catalog of Federal Domestic Assistance (CFDA) Number</u>	<u>Fiscal Year Subrecipient Expenditures</u>	<u>Fiscal Year Expenditures</u>
Department of Education - Student Financial Assistance Cluster				
Pell Grant Program		84.063	-	2,064,805
Supplemental Educational Opportunity Grant (SEOG)		84.007	-	215,216
College Work Study		84.033	-	160,769
Perkins Loan		84.038	-	368,421
Direct Subsidized Stafford Loan (DSL)		84.268	-	1,562,129
Direct Unsubsidized Stafford Loan (DSL)		84.268	-	2,013,251
Direct Graduate Loan for Undergraduate Students (DPLUS)		84.268	-	189,290
Total Student Financial Assistance Cluster			-	6,573,881
Other Federal Direct Cluster				
Department of Education		84.031	-	2,037,520
Department of Education		84.047	-	480,499
Department of Homeland Security		97.062	-	65,638
Department of Homeland Security		97.005	2,183,118	20,272,443
Office of Justice Programs		16.580	-	119,013
Office of Justice Programs		16.808	78,446	498,397
Environmental Protection Agency		66.424	1,587,190	1,711,904
Environmental Protection Agency		66.506	-	139,808
Environmental Protection Agency		66.514	-	21,152
Department of State	S-LMAQM-13-CA-1287	19.Unknown	65,068	559,616
Department of State	S-DSASD-09-CA-200/A9	19.700	5,434	396,099
Department of State	S-LMAQM-14-CA-1030	19.700	-	2,522
Federal Aviation Agency		20.109	-	155,405
Department of Commerce	BRIDGE FUNDING	11.Unknown	-	231
National Oceanic & Atmospheric Administration		11.440	-	15,943
Office of the Secretary of Defense	IPA CAVILEER 2012-2014	12.Unknown	-	254,217
Office of the Secretary of Defense	IPA-ROBERT J ARNOLD AGREEMENT	12.Unknown	-	212,611
Total Other Federal Direct Cluster			3,919,256	26,943,018

See notes to schedule of expenditures of federal awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

June 30, 2014

<u>Federal Grantor Program Title</u>	<u>Funding Agency Identification Number/Contract ID</u>	<u>Catalog of Federal Domestic Assistance (CFDA) Number</u>	<u>Fiscal Year Subrecipient Expenditures</u>	<u>Fiscal Year Expenditures</u>
Other Federal Pass Through				
U.S. Department of Homeland Security				
New Mexico DHSEM		97.042	-	7,329
U.S. Department of Education				
University of New Mexico	P0122360	84.Unknown	-	10,741
University of New Mexico	P0121150	84.Unknown	-	3,801
National Oceanic & Atmospheric Administration				
Arizona State University		11.431	-	964
Federal Aviation Agency				
New Mexico Spaceport Authority	MOA 4/13/12	20.Unknown	-	85,669
Total Other Federal Pass Through Cluster			<u>-</u>	<u>108,504</u>
Total Schedule of Expenditures of Federal Awards			<u>\$ 16,074,223</u>	<u>\$ 66,870,360</u>

See notes to schedule of expenditures of federal awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Amounts related to pass through grants are classified as private grants and contracts in the accompanying statement of revenues, expenditures, and changes in net position.

NOTE B – STUDENT FINANCIAL ASSISTANCE

The Institute administers the Perkins Loan Program. Total outstanding loans under this U.S. Department of Education program at June 30, 2014 were \$2,553,050. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2014 were \$368,421. The Schedule of Expenditures of Federal Awards only includes this amount, which represents administrative costs and additional advances, including the Institute's matching requirement expended for the year ended June 30, 2014.

During the fiscal year ended June 30, 2014, the Institute processed \$3,764,670 of new loans under the Direct Student Loan Program, which includes Stafford Loans, Parents' Loans for Undergraduate Students, and Supplemental Loans for Students.



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

Board of Regents
New Mexico Institute of Mining and Technology
Socorro, New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each discretely presented component unit and the fiduciary fund, and related notes, which collectively comprise the basic financial statements of the New Mexico Institute of Mining and Technology (the Institute), as of and for the year ended June 30, 2014. We have also audited the budgetary comparison schedules presented as supplementary information in the accompanying financial statements as of and for the year ended June 30, 2014 and the related notes to the financial statements and have issued our report thereon dated November 14, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies described as 2013-002, 2013-003, 2014-002, and 2014-003.

Compliance and Other Matters

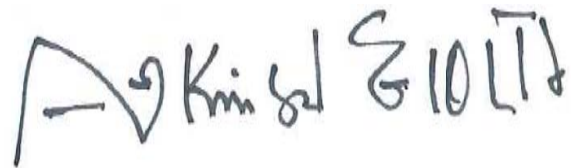
As part of obtaining reasonable assurance about whether the Institute's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2014-001, 2014-004, and 2014-005.

The Institute's Response to Findings

The Institute's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Institute's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized flourish at the end.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 14, 2014



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Board of Regents
New Mexico Institute of Mining and Technology
Socorro, New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances on noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-004 and 2014-005. Our opinion on each major federal program is not modified with respect to these matters.

The Institute's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Institute's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

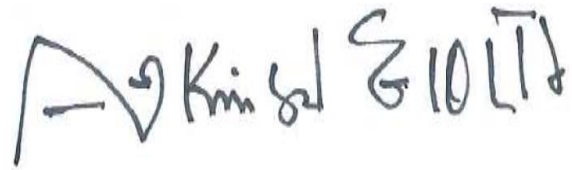
Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control 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.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd." with a stylized initial "A" on the left.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 14, 2014

SUMMARY OF AUDIT FINDINGS

Year Ended June 30, 2014

Prior Year Finding Description

Status

Findings – Financial Statement Audit

2013-001	Administration of Accounting System Access Rights	Resolved
2013-002	Purchase Order Authorizations (Significant Deficiency)	Repeated and Modified
2013-003	Other Post Employment Benefits (OPEB) Unfunded Liability	Repeated and Modified
2013-004	Component Unit (NM Tech Foundation) Net Position Classifications (Significant Deficiency)	Resolved

Findings in Accordance with 2.2.2 NMAC (State Audit Rule)

2013-005	Self-Reported Fraud – Misappropriation of Cash	Resolved
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Current Year Finding Description

Findings – Financial Statement Audit

2014-001	Timesheet Error (Control Deficiency)	
2014-002	Component Unit (NM Tech Foundation) Financial Close and Reporting (Significant Deficiency)	
2014-003	Component Unit (Employee Benefit Trust) Financial Close and Reporting (Significant Deficiency)	

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)	R&D Cluster
2014-005	Per Diem Rates (Compliance)	R&D Cluster

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiencies identified? X Yes ___ None reported

Non-compliance material to financial statements noted? X Yes ___ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiencies identified? ___ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X Yes ___ No

Identification of Major Programs

CFDA Number R&D Cluster 16.808 84.047	Name of Federal Program or Cluster Research and Development Cluster Edward Byrne Memorial TRIO Upward Bound
--	--

Dollar threshold used to distinguish between type A and type B programs \$2,005,847

Auditee qualified as low-risk auditee? X Yes ___ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2014

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2013-002 PURCHASE ORDER AUTHORIZATIONS (SIGNIFICANT DEFICIENCY)

CONDITION

In connection with review of sole source purchases, we reviewed certain invoices and purchase orders. In 7 out of 10 items tested totaling approximately \$35,500, the request date of the purchase orders were after invoice dates submitted by the vendor for payment. The disbursements appeared reasonable and necessary.

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.

CAUSE

The Institute did not initiate the purchase order prior to the date the purchase was made and therefore did not follow internal control policy and procurement law.

EFFECT

7 out of 10 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.

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 AND CORRECTIVE ACTION PLAN

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. In FY14 classes were conducted in July, August, and September with 95 staff attending. Also, individual training was held with 6 individuals that were 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 explaining the policy. One on one training is conducted if we find a department is chronically abusing the policy. Other solutions for "repeat offenders", is to have all future department procurements, regardless of the dollar amount, be processed by requisition which requires Purchasing Services to place the order for them in lieu of the processing the payment using a direct payment (DP).

Corrective Action: Purchasing Services will continue to offer training and guidance for all procurement processes.

Point of contact: Kimela Miller, Director Purchasing Services and Lonnie Marquez, VP for Administration & Finance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2014

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

**2013-003 OTHER POST EMPLOYMENT BENEFITS (OPEB) UNFUNDED LIABILITY
(SIGNIFICANT DEFICIENCY)**

CONDITION

The Institute's self insured health plan provides post employment benefits to retired faculty participating in the plan. Retired faculty members are charged the premium applicable to active faculty including the employer portion for continuing their health plan coverage. Such health plan coverage for retirees qualifies as an Other Post Employment Benefit (OPEB). Accounting standards require that this liability be estimated and recorded on an accrual basis based on the determination of the status of the plan as a benefit trust and the subsequent determination of the annual required contribution (ARC) necessary to fund plan benefits.

CRITERIA

GASB 45 requires the Institute and the benefit plan to obtain an actuarial study in order to measure the annual required contribution to be recorded by the employer annually and the aggregate unfunded actuarial accrued liability (UAAL) for all years.

CAUSE

The Trustees and management of the plan have not received a complete actuarial analysis containing all the information necessary to determine the annual required contribution and other associated information and disclosure.

EFFECT

The amount of the UAAL to be recorded by the Institute as employer is not yet known. The plan received a qualified opinion due to uncertainty regarding the liability for OPEB health benefits provided due to not having available complete actuarial information.

RECOMMENDATION

We recommend that management obtain a complete actuarial study based on information requirements of GASB 45 and plan for a regular every two year schedule of actuarial analysis on a go forward basis.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Management did obtain an actuarial study just before year end. The study received was not fully directed to the requirements of GASB 45. The study was received in June 2014, just before year end which did not provide enough time to revise the study.

Point of contact Lonnie Marquez VP of Finance and Administration

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2014

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

2014-001 TIMESHEET ERROR (CONTROL DEFICIENCY)

CONDITION

Several student employees that worked more than one job completed two separate timesheets for the same hour(s) worked. For 5 out of 10 student employees tested, more than one timesheet was filled out for the same hours. 4 of the 5 were corrected, and one did not acknowledge the error but did change the time that was worked and submitted a new timesheet.

CRITERIA

Student employees were allowed to charge the same hour of time while working on two jobs at the same time.

CAUSE

There was no policy in place stating that an employee could not charge time for the same hour when working on two jobs at the same time.

EFFECT

Hours worked by student employees were charged to two jobs for the same hour worked.

RECOMMENDATION

We recommend a policy to prevent charging time to two jobs for the same hour worked be put in place and student employees and department heads who approve timesheets be trained to address the problem.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Upon discovery the Payroll Office audited all students with multiple positions. It was found that the cause of this situation was due to students holding jobs such as graders and note takers.

Corrective Action: The Payroll Office has implemented procedures to review all students with multiple jobs during the payroll close process. These type of student positions will now be done on a contract which will eliminate the need for reporting hours on a time card. If a student is found to have the same hour on both jobs the student and supervisors are notified and warned. If the student repeats the situation they are terminated from their positions and unable to work during the semester. Financial aid, supervisors, and student are notified of the termination. The student employment handbook will be updated to include the following: Students employed by multiple departments will record time for each position separately utilizing web time entry. Only one position can be worked at a time. If you clock time for both positions at the same time you will be subject to disciplinary action up to and including termination. Any department or principal investigator which knowingly allows student employees to work on both positions at the same time may lose their student employment privileges.

Point of Contact: Arleen Valles, Director of Finance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2014

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

2014-002 COMPONENT UNIT (NM TECH FOUNDATION) FINANCIAL CLOSE AND REPORTING (SIGNIFICANT DEFICIENCY)

CONDITION

The following errors were noted during substantial audit testwork over endowment investments, compensated absences, and other items:

- Endowment investments included contributions for \$1,124,624 which was erroneously recorded in net assets instead of contribution revenue.
- Expenses were overstated as of July 1, 2014 in the amount of \$791,633 due to posting FY13 closing audit entries to the incorrect fiscal year.
- Due from the Institute in the amount of \$700,000 was not recorded at June 30, 2014.
- Outstanding checks include \$5,024 of stale dated check greater than one year old.
- The bank reconciliation omitted a June disbursement in the amount of \$4,295 which was cleared in July 2014.

CRITERIA

Good accounting practices require regular and systematic reconciliations of significant asset and liability accounts.

CAUSE

Due to turnover within the accounting department at year-end and the retirement of a key management staff person, inadequate reconciliation and review of donor contributions activity, posting year-end audit adjustments, and other annual adjustments took place before the audit. Other backup responsibilities were not assigned during the year for the financial close process.

EFFECT

Beginning net assets was overstated by \$1,794,467 and scholarship related expenditure accounts were misstated in the current year.

RECOMMENDATION

We recommend that procedures over the recording of contributions received, year-end audit entries, and other monthly reconciliations be reviewed and strengthened to include a reconciliation of revenue accounts and expenditure accounts, and a thorough review of investments and net asset schedules, reconciliations, and journal entries prepared.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Pending response from Richard Carpenter.

Point of Contact: Colleen Guengrich, NMT Foundation and Jenny Ma, NMT Foundation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2014

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

2014-003 COMPONENT UNIT (EMPLOYEE BENEFIT TRUST) FINANCIAL CLOSE AND REPORTING (SIGNIFICANT DEFICIENCY)

CONDITION

During our audit, we noticed employee and employer contributions recorded on the general ledger did not reconcile to the subsidiary ledger by approximately \$187,000.

CRITERIA

Good accounting practices require regular and systematic reconciliations of significant asset and liability accounts.

CAUSE

Management had limited review and approval over financial close and reporting at year end which resulted in certain account balances and classifications not being fully reconciled.

EFFECT

Contribution revenues and expenses were not fully reconciled at year end to which certain liabilities were misclassified as revenues and employer and employee revenue classifications were misclassified.

RECOMMENDATION

We recommend monthly and annual financial close be reviewed and journal entries and classification of employer and employee contribution revenues be approved by the Vice President of Finance and Administration of the Institute in a timely manner.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

As a result of turnover in personnel, it was not clear as to the monthly reconciliation process or who was responsible for year-end entries. Reconciliation was being done every month, but was missing a crucial step in indentifying and correcting the reconciling items that were found.

Corrective Action: The monthly reconciliation process was clarified to ensure that all outstanding items are identified and correcting entries are made if needed.

Point of Contact: Leyla Sedillo, Assoc. VP for Budget and Emma Aafloy, Asst. Director of Budget

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2014

C. FINDINGS – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-004 TRAVEL AND PER DIEM (CONTROL COMPLIANCE) – R&D CLUSTER

CONDITION

During our testing of R&D grants, we noted that for 5 of 5 per diem disbursements tested totaling \$21,671, the correct level of authorization was not received in accordance with the Institute's policy for internal control over compliance.

CRITERIA

The Institute's current travel policy reads: "Actual cost for lodging only. Prior approval of cost in advance of expenditure must be granted by the Vice President for Administration and Finance or the President. Lodging receipts, less the cost of meals, and other room charges must be attached to the Travel Reimbursement Voucher."

CAUSE

The internal control over compliance to ensure proper authorization to approve travel and per diem in advance expenditure of was not followed. This was caused due to the internal control policy itself being too restrictive for having only one Vice President of the Institute to be assigned responsibility for approval instead of more than one person.

EFFECT

The Institute was not enforcing its own internal control policy to obtain proper approval in advance of expenditure and therefore actual receipts for lodging were paid even though higher than the federal lodging per diem rates. All charges appeared reasonable and allowable in accordance with grant requirements.

QUESTIONED COST

None

RECOMMENDATION

We recommend the Institute modify its internal control policy and expand the list of authorized Vice Presidents with knowledge of grant requirements to approve travel and per diem requests in advance of expenditure when actual expenditures are expected to exceed federal per diem rates.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We have determined that requiring prior approval for actual lodging expenses by only one specific Vice President is too restrictive.

Corrective Action: The NMT Travel Procedures were updated to clarify that all requests for actual lodging expenses must be granted in advance at the Vice President level or higher.

Point of Contact: Arleen Valles, Director of Finance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2014

C. FINDINGS – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – CONTINUED

2014-005 PER DIEM RATES (COMPLIANCE) – R&D CLUSTER

CONDITION

During our testing of allowable cost for the R&D cluster, we noted that items totaling \$18,014 for 4 of 6 employees tested had actual lodging that was higher than the federal standard per diem rate.

CRITERIA

According to the gsa.gov website if a hotel is not available at the per diem rate then either the department secretary or the travel department person responsible with compliance may ask the agency to authorize the actual expense allowance provision. The Federal Travel Regulation (FTR) §§301-11.300 through 306 notes that if lodging is not available at your temporary duty location, your agency may authorize or approve the maximum per diem rate of up to 300% of per diem for the location where lodging is obtained.

CAUSE

Each department secretary or the travel department individual at the Institute responsible with grant compliance should document that they have checked www.fedrooms.com to confirm there are no rooms available at per diem in the area where travel is expected.

EFFECT

Actual receipts for lodging were paid even though higher than the federal lodging per diem rates. All charges appeared reasonable and allowable in accordance with grant requirements.

QUESTIONED COST

None

RECOMMENDATION

We recommend each grant department secretary check www.fedrooms.com in advance of expenditure to confirm that there are no rooms available at the per diem rate, print the screen and attach to the travel packet to support the request for approval.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

It was determined that the Travel Procedure needs to include clarification and specific instruction on what is required if actual lodging expenses exceed the maximum allowed by federal regulation.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2014

C. FINDINGS – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – CONTINUED

2014-005 PER DIEM RATES (COMPLIANCE) – R&D CLUSTER – CONTINUED

Corrective Action: The Travel Procedures were updated October 2, 2014. Actual lodging costs cannot exceed the maximum lodging rate, however, the traveler can request agency approval for reimbursement on an actual expense basis, not to exceed 300 percent of the maximum per diem allowance. Agency approval to exceed maximum lodging rate must be obtained in advance of travel and is at the discretion of the funding agency. Refer To GSA Subpart B. 301-11.100 and Subpart D 301-11.302 and 301-11.303. The traveler is responsible for obtaining written advanced agency approval for actual lodging expenses that exceed the maximum lodging rate. Written approval must be attached to the travel request which is submitted to Sponsored Projects Administration office who will confirm agency approval for a specific trip. To find rooms that fall below the allowable federal per diem rate, the GSA has set up a website that allows you to search for rooms by location and date. The website shows the federally negotiated rate for each hotel. The website is: <https://www.fedrooms.com>.

Point of Contact: Arleen Valles, Director of Finance and Anna McLain, Director Sponsored Project Administration

New Mexico Institute of Mining and Technology

EXIT CONFERENCE

June 30, 2014

An exit conference was held on November 5, 2014, with the following in attendance:

For the New Mexico Institute of Mining and Technology:

Lonnie G. Marquez	Vice President for Administration and Finance
Richard Carpenter	Regent President
Leyla A. Sedillo	Associate Vice President for Budget and Analysis
Arleen Valles	Director of Finance
Anna McLain	Director of Sponsored Projects
Emma Aafloy	Associate Director of Budget
Carrie Marsyla	Senior Accounting Manager Sponsored Projects
Camille Gurule	Assistant Controller
Steven Hicks	Director of Property Control
Melissa Tull	Controller
Gayle Bailey	Associate Director of Sponsored Projects
Kimela Miller	Chief Procurement Officer

For The New Mexico Tech Research Foundation:

Jenny Ma	Accountant
Lonnie G. Marquez	Trustee
Colleen Guengerich	Executive Director

For The New Mexico Tech University Research Park Corporation:

Lonnie G. Marquez	Director
Jenny Ma	Accountant
Collen Guengerich	Executive Director

For Atkinson & Co., Ltd.:

Martin Mathisen, CPA, CGFM	Audit Director
Clarke Cagle, CPA, CCIFP, CGFM	Audit Director
Lisa Harrison	Staff Accountant

The financial statements were prepared by Atkinson & Co., Ltd. with the assistance of the Institute. The Institute is responsible for the contents of these financial statements.

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