



**NEW MEXICO INSTITUTE
OF MINING AND TECHNOLOGY
EMPLOYEE BENEFIT TRUST
(A COMPONENT UNIT OF THE
NEW MEXICO INSTITUTE
OF MINING AND TECHNOLOGY)**

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2015

atkinson

PRECISE. PERSONAL. PROACTIVE.

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New Mexico Institute of Mining and Technology
Employee Benefit Trust

OFFICIAL ROSTER

June 30, 2015

Board of Regents

Ex Officio Members:

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

Appointed Members:

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

Principal Administrative Officials

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



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
New Mexico Institute of Mining and Technology
Employee Benefit Trust
and
Mr. Timothy Keller, New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying basic financial statements of the New Mexico Institute of Mining and Technology Employee Benefit Trust (the Trust), a Component Unit of The New Mexico Institute of Mining and Technology (the Institute), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust'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 Trust'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Trust as of June 30, 2015, 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.

Other Matters

Required Supplementary Information

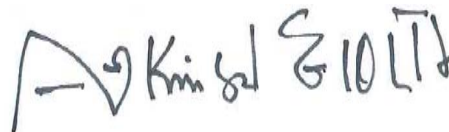
For the year ended June 30, 2015, Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

The schedule of vendor information, required by 2.2.2 NMAC, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Trust's internal control over financial reporting and compliance.

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

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 30, 2015

New Mexico Institute of Mining and Technology
Employee Benefit Trust

STATEMENT OF NET DEFICIT AVAILABLE FOR BENEFITS

June 30, 2015

ASSETS

Investments at fair value

New Mexico State Investment Council	
Large Cap Active Pool	\$ 733,574
Core Bond Fund	297,527
Mid/Small Cap Pool	144,886
Non US Developed Pool	100,096
New Mexico State Treasurer Local Government Investment Pool	<u>65,378</u>

Total investments 1,341,461

Cash and cash equivalents	234,566
Employee contributions receivable	<u>342,777</u>

Total assets 1,918,804

LIABILITIES

Claims incurred but not reported	494,404
Due to New Mexico Tech	350,000
Flexible benefits payable	6,921
Unfunded other post employment benefits obligation, net	<u>5,093,580</u>

Total liabilities 5,944,905

Net deficit available for benefits \$ (4,026,101)

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

New Mexico Institute of Mining and Technology
Employee Benefit Trust

STATEMENTS OF CHANGES IN NET DEFICIT AVAILABLE FOR BENEFITS

Year Ended June 30, 2015

INCREASE IN NET POSITION ATTRIBUTED TO:

Contributions

Employer	\$ 4,967,039
Employee	<u>3,639,751</u>

Total contributions 8,606,790

Investment income

Increase in fair value of investments	46,284
Interest	<u>2,841</u>

Total investment income 49,125

Other revenue 824

Total additions 8,656,739

DECREASE IN NET POSITION ATTRIBUTED TO:

Claims expense, net of stop-loss refunds of \$246,052 in 2015	5,102,213
Other post employment benefits expense, net	5,093,580
Insurance premiums	1,185,566
General and administrative	<u>398,663</u>

Total deductions 11,780,022

Net decrease in net deficit available for benefits (3,123,283)

Net deficit available for benefits, beginning of year (902,818)

Net deficit available for benefits, end of year \$ (4,026,101)

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Board of Regents of the New Mexico Institute of Mining and Technology (the Institute) created the New Mexico Institute of Mining and Technology Employee Benefit Trust (the Trust), a Component Unit of The New Mexico Institute of Mining and Technology, to operate, control and maintain a self-funded program to provide certain health benefits (medical and dental) to eligible Institute employees and certain members of their families. Retired employees of the Institute are eligible to participate provided that they continue paying the employee contribution assessed to active Institute employees, as well as the contribution portion which is paid by the Institute for active employees (see Note B). In addition, this program is used to pay premiums for life insurance coverage on eligible participants and to administer the Flexible Benefits Plan (the Flex Plan). The Flex Plan, which is fully funded by employees, provides reimbursement of certain employee health, life, and dependent care expenses. These collective benefits comprise the Trust. The Board of Regents of the Institute serves as Trustees (Trust Committee) and has delegated the operations of the Trust to the executive staff of the Institute. The Trustees and Institute Management have designated a third-party administrator to process the claims submitted by covered participants.

2. Basis of Presentation

The financial statements of the Trust have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities acting as fiduciaries. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared on the accrual basis. The Trust has been informed by legal opinion and accepted by Management that the Plan is a legally formed independent trust and is therefore recognized as a blended component unit in the Institute's financial statements. The Trust accounts are separately audited as required under GASB 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*.

The Trust implemented Government Accounting Standards Board (GASB) Statement No. 62, *"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.

The Trust implemented Government Accounting Standards Board Statement No. 63 *"Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position"* (GASB 63). GASB 63 introduced a fundamental change to the reporting of elements that make up a statement of financial position.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis of Presentation – Continued

Deferred outflows of resources consumed and deferred inflows of resources received and available are now included in the elements that make up a statement of financial position and GASB 63 introduced the term *net position* for reporting the residual of all New Mexico Institute of Mining and Technology Employee Benefit Trust elements in a statement of financial position. The statement of financial position of the Trust conforms to the presentation requirements of GASB 63.

The Trust implemented Governmental Accounting Standards Board Statement No. 65 "*Items Previously Reported as Assets and Liabilities*" (GASB 65) changes the classification of various financial statement balance including several more common type transactions to deferred outflows and inflows of resources. GASB 65 is applicable for years beginning after December 15, 2012 (FY 14). There were no deferred outflows or inflows of resources to separately report at June 30, 2015.

3. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and all highly liquid investments with maturities of three months or less when purchased. The Trust maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits requirements. The Trust has not experienced any losses in such accounts.

4. Contributions Receivable

Contributions receivable are stated at net realizable value. Management reviews the collectability of its contributions receivable and, if necessary, records an allowance for its estimate of uncollectible accounts. Because all contributions receivable are from the Institute's payroll, there is no allowance for doubtful accounts deemed necessary at June 30, 2015.

5. Investments

The Board of Trustees has the sole authority and responsibility to make changes to the Trust's investment policies. There were no significant changes to investment policy during the year. In conformity with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Chapter 46, Article 9A 1-10 NMSA 1978), the Trust primarily invests through The New Mexico State Investment Council (SIC) or in various mutual funds held and managed by a national brokerage firm.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Investments – Continued

Fair value is defined as the amount that the Trust can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller. Due to the nature of investments, it is reasonable that changes in the value of investments will occur in the near future and changes could materially affect the amounts reported. The determination of fair values includes, among other things, published market prices, prices obtained from pricing services, and prices quoted by independent brokers at current exchange rates.

The Trust has no limitations on the types of investments or deposits it can make within the scope of its investment policy. The following are the target allocations for the investments:

<u>Asset Class</u>	<u>Long-Term Target</u>	<u>Allowable Range</u>
Fixed Income	30%	25-50%
Equity	70%	50-75%

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Mutual funds are based on the Trust's pro-rata share of unit value of the mutual funds. 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 Trust has no limitations on the types of investments or deposits it can make.

The Trust has an agreement with the Institute for investment of the majority of the Trust funds. The majority of investments of the Trust are held by the New Mexico State Investment Council. The Trust'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. The insurance annuity is invested in underlying fixed income bond and index funds valued at fair value at June 30, 2015.

The New Mexico State Investment Council's (SIC) investments are stated at fair value in accordance with GASB Statement No. 31, with increases or decreases in fair value recognized in the statement of changes in net assets at the end of each month. Investment transactions are recorded on the trade date. Dividends are recognized as income when declared. Current fair value of investments may fluctuate markedly from what is recorded at June 30 of each year. The investments function similar to mutual funds and are secured by purchased financial securities. The SIC 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 State Investment Council, 41 Plaza la Prensa, Santa Fe, NM 87507. The report is also available on the SIC's website at www.sic.state.nm.us.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

5. Investments – Continued

The SIC's investments are reported by the SIC within the Trust in the following categories: private-purpose trust funds and external investment trust funds. Both types of funds are participants in the Office's Large Cap. Active, Large Cap. Index, Core Bonds, Structured Credit, Mid/Small Cap., Non-U.S. Developed Markets, Non-U.S. Emerging Markets and Absolute Return investment pools. Interest rate risk, custodial risk, credit risk, and risk of uncertainty of these investments are described in detail within the SIC's financial report.

6. Health Benefits Payable

Health benefits payable are accrued based on Plan experience being the provision for incurred, but not reported claims. The Trust holds employee and university contributions which are used solely to offset claims incurred and administrative fees associated with the Plan. As of June 30, 2015 and 2014, there were \$494,404 and \$1,325,000 claims incurred, but not reported as accrued health benefits payable.

7. Flexible Benefits Payable

Flexible benefits payable represent the Trust's liability for employee contributions to the Flex Plan. Employees have the option to participate in the Flex Plan by making pre-tax contributions from their salaries up to defined maximum limits. The Institute has no obligations under the Flex Plan. The Trust administers the Flex Plan and any unclaimed amounts in the flexible benefits payable at the end of the calendar year revert to the Trust for use at its discretion.

8. Revenue and Cost Recognition

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

Operating revenues are those received by the Trust for events and activities that relate directly to the Trust; and operating expenses are those incurred for events and activities that relate to paying for health, dental, vision and prescription drug claims for current employees and retirees, insurance premiums and administration costs. Revenues from investments are considered non-operating.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

9. Income Tax Status

The Internal Revenue Service has determined and informed the Institute by letter dated January 26, 1984, that the Trust is tax-exempt, under Section 501(c)(9) of the Internal Revenue Code. The Trust has been amended since receiving the determination letter. However, the Trust Committee believes that the Trust is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, the Trust Committee believes that the Trust was tax exempt during the periods covered by the accompanying financial statements.

10. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include claims incurred but not reported liability (IBNR), net other postemployment benefits (OPEB) obligation and the unfunded accrued actuarial liability (UAAL) for postemployment benefits.

11. Other Postemployment Benefits (OPEB) Unfunded Liability

Faculty of New Mexico Tech expects to continue health benefit coverage at retirement by electing to pay the full active participant premium charged to New Mexico Tech's health coverage plan, a single employer plan. The differential between the active participant premium and that charged for an older retiree on a standalone basis qualifies as a postemployment benefit. Governmental Accounting Standards Board Statement No. 45 (GASB 45) *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* (OPEB) requires accrual accounting for this postemployment benefit which in turn requires the determination of the respective unfunded actuarial accrued liability that applies to all participants receiving the benefit. GASB 45 further requires a bi-annual actuarial study be obtained to measure the amount of the pension benefits on an accrual basis. The Trust's very first actuarial study was obtained for the year ended June 30, 2015, with the initial measurement date being effective July 1, 2014. The Institute's OPEB plan is currently on a pay-as-you-go basis.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12 Eligibility

All full-time employees of the Institute and their eligible dependants are eligible to participate in the Plan. An employee is eligible for coverage on the first day of the month following attainment of status as a full-time employee.

13. Subsequent Events

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

NOTE B – FUNDING POLICY

The Trust is funded by contributions from both the Institute and employees of the Institute. Flex Plan contributions consist of employee-only contributions and are based on amounts elected by the employees up to specified limits, and are withheld from employee pay. All other contributions, including employee and employer contributions, are based on amounts determined by the Trust Committee as necessary to cover the expenses of the Trust. Contributions are funded on a monthly basis.

The Trust has stop-loss insurance for individual employee claims in excess of \$135,000, with an overall limitation on aggregate claims of \$2,000,000.

NOTE C – CASH AND BANK DEPOSITS

1. 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 Trust does not have a deposit policy for custodial credit risk and does not require collateral. As of June 30, 2015, the Trust's deposits were exposed to custodial credit risk as follows:

Custodial credit risk-deposits	
Wells Fargo account balances	\$ 234,566
FDIC insured	<u>(250,000)</u>
Total	<u>\$ (15,434)</u>
Total Deposits	<u>\$ 234,566</u>

New Mexico Institute of Mining and Technology
Employee Benefit Trust

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE C – CASH AND BANK DEPOSITS – CONTINUED

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

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
Wells Fargo Bank	Operating	Cash	\$ 243,889	\$ (10,408)	\$ 233,481
Wells Fargo Bank	Claims	Cash	72,045	(70,960)	1,085
			<u>\$ 315,934</u>	<u>\$ (81,368)</u>	<u>\$ 234,566</u>

NOTE D – INTEREST IN THE LOCAL GOVERNMENT INVESTMENT POOL

The investment in the State Treasurer’s investment pool is valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool (LGIP) 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 funds were invested. Participation in the LGIP is voluntary. The Trust has no control over the State Treasurer’s investment pools and provides the following disclosure provided by the State Treasurer’s Office concerning the Trust’s investment in the *New MexiGROW* LGIP:

June 30, 2015

New MexiGROW LGIP AAAM rated \$65,518 49 day WAM(R) and 116 day WAM(F)

New Mexico Institute of Mining and Technology
Employee Benefit Trust

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE E – INVESTMENTS

Investments are principally held at the New Mexico State Investment Council which provides investment services in accordance with its policies and statutory requirements NMSA Section 6-8-9. NMSIC issues a separate, publicly available financial report that includes financial statements and required supplementary information. Information relating to NMSIC's use of derivatives is not made available to the Trust. For additional GASB 40 disclosure information related to the above investments held at NMSIC, the reader should refer to the separate audit report of the New Mexico State Investment Council for the fiscal year ended June 30, 2015.

A summary of investments at June 30, 2015, follows:

<u>Investments</u>	<u>Ratings</u>	<u>Fair Value</u>
Investments not subject to categorization		
New Mexico State Investment Council		
pooled funds		
Equity securities	N/A	\$ 978,556
Fixed income securities	N/A	<u>297,527</u>
Total investments		<u>\$ 1,276,083</u>

Investments not subject to categorization are held at the SIC which provides investment services in accordance with its policies and statutory requirements NMSA Section 6-8-9.

NOTE F – TRANSACTIONS WITH NEW MEXICO TECH

The Trust repaid \$1,000,000 net during the year ended June 30, 2015. As of June 30, 2015, the Trust owed New Mexico Tech \$350,000. As of September 30, 2015, the Trust repaid the remainder, thus the obligation was paid in full.

Certain employees of New Mexico Tech provide administrative and accounting services for the Benefit Plan at no charge to the plan. The cost of the annual audit has been paid by New Mexico Tech.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE G – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Institute offers employees and their eligible dependents retiree benefits. The authority to establish and amend the benefit provisions and contribution requirements rests with the Board of Regents.

In order for a retiree of the Institute to be eligible for other postemployment benefits, the employee must be enrolled in the benefit prior to retirement and choose to continue the benefit or opt out. If the retiree chooses to opt out at retirement, the retiree will no longer be offered the benefit. Retirees may opt out at any time or may change plan options during the benefits open enrollment period. The Institute's contributions to the Trust are as follows:

Trust Contributions as a % of Payroll

	<u>Employee</u>	<u>The Institute</u>	<u>Total</u>
FY 2014	0.00%	1.25%	1.25%
FY 2015	0.00%	1.25%	1.25%
FY 2016 and after	0.00%	1.25%	1.25%

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE G – OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Funding Policy

The Plan and Trust received its initial actuarial valuation during FY 2015. July 1, 2014, was selected as the valuation date. In the July 1, 2014 actuarial valuation, the Institute's plan is considered to be unfunded. However, effective July 1, 2014, the Institute began increasing funding of its OPEB benefits with a Trust in which plan assets are established and dedicated to providing benefits to retirees and beneficiaries in accordance with the terms of the plan. Since the plan assets started accumulating as of July 1, 2014, they are not recognized in the current actuarial valuation. However, the plan assets will be reflected in future actuarial valuations.

Retiree contributions for medical and dental are required for both retiree and dependent coverage. Retirees are required to pay the full premiums less a subsidy provided by the Institute. Retirees are required to contribute a percentage of the premium based on their preretirement annual salary. The Institute currently funds its plan on a pay-as-you-go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits, and includes all expected claims and related expenses and is offset by retiree contributions. The pay-as-you-go expense of the Institute for fiscal year 2015 was \$424,956, net of retiree contributions.

Actuarial Methods and Assumptions

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

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

New Mexico Institute of Mining and Technology
Employee Benefit Trust

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE G – OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Annual OPEB Cost and Net OPEB Obligation

The Institute's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Institute's annual OPEB costs for the year, the amounts actually contributed to the plans, and changes in the Institute's net OPEB obligations:

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

New Mexico Institute of Mining and Technology
Employee Benefit Trust

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE G – OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Annual OPEB Cost and Net OPEB Obligation – Continued

Normal cost		
As of July 1, 2014	\$ 1,732,469	
With interest to June 30, 2015		\$ 1,801,768
Amortization of UAAL		
Actuarial accrued liability at the valuation date of July 1, 2014	\$ 64,270,477	
Available plan assets	-	
Unfunded actuarial accrued liability	64,270,477	
Equivalent single amortization period (level dollar, closed)	30 years	
Amortization of UAAL with interest to June 30, 2015		<u>3,716,768</u>
Annual required contribution as of June 30, 2015		<u>\$ 5,518,536</u>
Cumulative sum of annual required contribution from implementation date of July 1, 2014		
		\$ -
Cumulative sum of annual cash contributions from implementation date of July 1, 2014		
		<u>-</u>
Net OPEB obligation (asset) as of July 1, 2014		<u>\$ -</u>

Funding Progress of the Plan

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

	<u>July 1, 2014</u>	<u>June 30, 2015</u>
Annual OPEB Cost		\$ 5,518,536
Percentage of Annual OPEB Cost Contributed		7.7%
Net OPEB obligation as of June 30, 2015		\$ 5,093,580
Actuarial accrued liability	\$ 64,270,477	
Market value of plan assets	\$ -	
Unfunded actuarial accrued liability (UAAL)	\$ 64,270,477	
Funded ratio	0.00%	
Annual payroll	N/A	
Ratio of UAAL to annual payroll	N/A	

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE G – OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plans were not funded. The Institute's UAAL, the present value of all future expected postretirement health payments and administrative costs attributable to past service, was \$64,270,477, and the actuarial value of assets was \$0, resulting in an UAAL of the full \$64,270,477, or a funded ratio of 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$28,644,568, and the ratio of the UAAL to the covered payroll was 224%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, the healthcare cost trend, and the discount rate. Amounts determined regarding the funded status of the plans and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress and employer contributions (Schedule 1), presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AALs for benefits.

NOTE H – CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

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

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

	<u>2015</u>
Liability for claims and claims adjustment expenses at beginning of year	\$ 1,325,000
Incurred claims and claims adjustment expenses	5,102,213
Payments, net of recoveries	<u>(5,932,809)</u>
Liability for claims and claims adjustment expenses at end of year	<u>\$ 494,404</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE I – TERMINATION PROVISIONS

The Trust may be terminated at any time upon due notice by the Trust Committee or the Institute. Upon termination, all monies remaining in the Trust will be used to pay any unpaid claims or used to continue benefits described in the Trust document until all such monies have been exhausted. In no event, upon termination, shall any assets of the Trust revert back to the Institute. The Institute is not legally committed or obligated to fund deficits in the Trust but has advanced funds on an as needed basis as determined by the sole discretion of the Trust Committee (see Note F). The Institute is required to indemnify and pay the Trust up to \$142,000 in reserves from the contributions made by participants.

NOTE J – HEALTH BENEFIT PLAN CHANGES

As of January 2015, the Trust has been running a deficit because of high Health Benefit claims since the year ended June 30, 2012. The Institute is not legally responsible for the deficit in excess of \$142,000 (See Notes F). In response to recently incurred deficits, the Trust has been revamped during the previous fiscal year by amending and restating the plan effective January 1, 2013. All three of the previous plans were terminated and three new plans were implemented beginning January 1, 2013. The new plans are Preferred Provider Organization (PPO) plans; \$750, \$1,000 and \$1,500 deductible are available for employees. It is expected that the three new PPO plans will be more cost effective over time. During the year ended June 30, 2015, the regents voted to increase employee contribution requirements to the plan by 16%. For FY 2015, increases to net deficit available for benefits exceeded decreases by \$1,970,297 before accrual of the unfunded net OPEB obligation of \$5,093,580. After the recognition of the net OPEB expense, the net decrease in net deficit available for benefits was \$3,123,283.

NOTE K – NEW ACCOUNTING STANDARDS

GASB 72

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72) provides guidance for determining a fair value measurement for financial accounting and reporting purposes and requires additional disclosures related to fair value measurements. GASB 72 defines *fair value* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement sets fair value to be described as an exit price. GASB 72 requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels: Level 1 inputs are quoted prices (unadjusted) in active markets. Level 2 inputs are inputs - other than quoted prices - that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE K – NEW ACCOUNTING STANDARDS – CONTINUED

GASB 72 - Continued

Fair value application generally requires investments to be measured at fair value. An *investment* is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a-7 like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. GASB 72 requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

GASB 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). GASB 72 is applicable for financial statements for periods beginning after June 15, 2015 (FY 16).

GASB 73

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68* is effective for fiscal years beginning after June 15, 2015 (FY 16) - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016 (FY 17).

GASB 74

Governmental Accounting Standards Board Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* is intended to enhance the decision-usefulness of the financial reports of OPEB plans, their value for assessing accountability and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. GASB 74 basically parallels GASB 67 and replaces Statements No. 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 74 requires enhanced note disclosures and is effective for financial statements for fiscal years beginning after June 15, 2016 (FY 17).

New Mexico Institute of Mining and Technology
Employee Benefit Trust

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE K – NEW ACCOUNTING STANDARDS – CONTINUED

GASB 75

Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. This statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB 75 is effective for fiscal years beginning after June 15, 2017 (FY18).

SUPPLEMENTARY INFORMATION

New Mexico Institute of Mining and Technology
Employee Benefit Trust

**SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000
(EXCLUDING GRT)
(UNAUDITED)**

As of June 30, 2015

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

No contracts exceeded \$60,000 in the current year.

New Mexico Institute of Mining and Technology
Employee Benefit Trust

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

Year Ended June 30, 2015

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

Schedule of Funding Progress - OPEB

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2014	\$ -	\$ 64,270,477	\$ 64,270,477	0%	\$ 28,644,568	224%

Schedule of Employer contributions - OPEB

Actuarial Valuation Date	Annual Required Contributions (ARC)	Employer Actual Contributions	% Contributed
7/1/2014	\$ 5,518,046	\$ 424,956	7.70%

Summary of Key Actuarial Method and Assumptions

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

New Mexico Institute of Mining and Technology
Employee Benefit Trust**OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED**
Schedule of Funding Progress and Employer Contributions – Continued

Year Ended June 30, 2015

Healthcare Cost Trend Rate

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

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



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

Board of Trustees
New Mexico Institute of Mining and Technology
Employee Benefit Trust
and
Mr. Timothy Keller, 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 New Mexico Institute of Mining and Technology Employee Benefit Trust (the Trust), as of and for the year ended June 30, 2015, and have issued our report thereon dated October 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust'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 Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency*, 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 by governance.

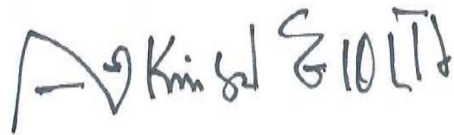
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Trust'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 Trust'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 initial "A" and "C" on the left.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 30, 2015

New Mexico Institute of Mining and Technology
Employee Benefit Trust

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2015

Prior Year Finding Description

Findings – Financial Statement Audit

2013-001 Other Postemployment Benefits (OPEB) Unfunded Liability (Material Weakness)
Resolved

2014-001 Financial Close and Reporting (Significant Deficiency)
Resolved

Current Year Finding Description

Findings – Financial Statement Audit

None.

New Mexico Institute of Mining and Technology
Employee Benefit Trust

FINANCIAL STATEMENT PREPARATION AND EXIT CONFERENCE

June 30, 2015

* * * * *

The basic financial statements have been prepared by Atkinson & Co., Ltd. with the assistance of the Trust. The content in this report is the responsibility of the Trust.

* * * * *

An Exit Conference was held on October 27, 2015, and attended by the following:

For The New Mexico Institute of Mining and Technology:

Donald Monette	Trustee
Lonnie Marquez	Trustee
Arleen Valles	Director of Finance
Emma Aafloy	Associate Director - Budget
Leyla Sedillo	Associate Vice President - Budget

For Atkinson & Co., Ltd.:

Clarke Cagle, CPA, CCIFP, CGFM	Audit Shareholder
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