REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS WITH REQUIRED SUPLEMENTAL
INFORMATION

# NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY EMPLOYEE BENEFIT TRUST

(A blended component unit of the New Mexico Institute of Mining and Technology)

June 30, 2019

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**New Mexico Institute of Mining and Technology Employee Benefit Trust**
**(A Blended Component Unit of the New Mexico Institute of Mining and Technology)**

# OFFICIAL ROSTER (Unaudited)

**June 30, 2019**

## Board of Regents

Ex Officio Members:

| | |
|---|---|
| The Honorable Michelle Lujan Grisham | Governor of the State of New Mexico |
| Dr. Kate O'Neill | Cabinet Secretary, Higher Education Department |

Appointed Members:

| | |
|---|---|
| Deborah Peacock | President |
| Jerry A. Armijo | Secretary/Treasurer |
| David Gonzales | Trustee |
| Dr. Yolanda Jones King | Trustee |
| Veronica Espinoza | Student Regent |

## Principal Administrative Officials

| | |
|---|---|
| Dr. Stephen Wells | President |
| Dr. Cleve McDaniel | Vice President for Administration and Finance |
| David D. Landrum | Associate Vice President for Administration and Finance/ Budget Director |
| JoAnn Salome | Director of Human Resources |
| Melissa Tull | Controller |

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# Report of Independent Auditors

To the Board of Trustees
New Mexico Institute of Mining and Technology
Employee Benefit Trust
and
Mr. Brian S. Colón, Esq.
New Mexico State Auditor

## Report on the Financial Statements

We have audited the accompanying financial statements of the New Mexico Institute of Mining and Technology Employee Benefit Trust (the Trust), a blended component unit of the New Mexico Institute of Mining and Technology (the Institute), as of and for the year ended June 30, 2019, which comprise the statement of fiduciary net position, and the related statement of changes in fiduciary net position, 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.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial position of the Trust as of June 30, 2019, and the changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the accompanying Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Employer Contributions, and Schedule of Investment Returns 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Moss Adams LLP

Albuquerque, New Mexico
October 24, 2019

# New Mexico Institute of Mining and Technology
# Employee Benefit Trust
# (A Blended Component Unit of the New Mexico Institute of Mining and Technology)
## Statement of Fiduciary Net Position
## June 30, 2019

**ASSETS**

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 1,552,230 |
| Employee contributions receivable | | 6,104 |
| Investments at fair value, restricted expendable | | |
| New Mexico State Treasurer Local Government Investment Pool | | 952,096 |
| New Mexico State Investment Council | | |
| Large Cap Active Pool | | 1,122,401 |
| Core Plus Bond Pool | | 355,355 |
| Mid/Small Cap Pool | | 177,722 |
| Non U.S. Developed Pool | | 118,409 |
| Total investments | | 4,284,317 |
| Total assets | $ | 4,284,317 |

**LIABILITIES**

| | | |
|---|---|---|
| Claims incurred but not reported | $ | 25,431 |
| Flexible benefits payable | | 15,519 |
| Total liabilities | | 40,950 |
| Fiduciary net position restricted for postemployment benefits other than pensions | $ | 4,243,367 |



See accompanying notes.

# New Mexico Institute of Mining and Technology
# Employee Benefit Trust
# (A Blended Component Unit of the New Mexico Institute of Mining and Technology)
## Statement of Changes in Fiduciary Net Position
## Year Ended June 30, 2019

| | |
|---|---|
| ADDITIONS | |
| Contributions | |
| Employee | $ 1,772,861 |
| Employer | 2,475,084 |
| Total contributions | 4,247,945 |
| Investment income | |
| Net increase in fair value of investments | 126,780 |
| Interest | 22,056 |
| Total investment income | 148,836 |
| Other revenue | 5,066 |
| Total additions | 4,401,847 |
| DEDUCTIONS | |
| Benefit payments, net of stop-loss refunds of $317,011 in 2019 | 2,800,275 |
| Insurance premiums | 835,973 |
| General and administrative | 826,887 |
| Total deductions | 4,463,135 |
| FIDUCIARY NET DECREASE IN NET POSITION | (61,288) |
| FIDUCIARY NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS | 4,304,655 |
| END OF YEAR | $ 4,243,367 |

See accompanying notes.

## Note 1 – General Description of Trust and Benefit Plan

### 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 or Plan), a Blended 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. The Board of Regents of the Institute serve 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.

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 74, Financial Reporting for Postemployment Benefit Plans other than Pension Plans.

Effective January 1, 2019 the Institute is no longer using the Trust to operate, control and maintain their self-funded program to provide health benefits. The Board of Regents of the Institute made a resolution approving an agreement for participation with New Mexico Public Schools Insurance Authority (NMPSIA). Under the agreement, NMPSIA will provide health insurance benefits for the Institute's employees and retirees.

### Plan Description

*Eligibility:* The Trust offers employees of the Institute and their eligible dependents retiree benefits. Employees of the Institute expect 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 stand-alone basis qualifies as a postemployment benefit. The authority to establish and amend the benefit provisions and contribution requirements rests with the Board of Regents.

Regular, regular limited-term, and full-time temporary employees of the Institute and their eligible dependents 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. 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.

**Note 1 – General Description of Trust and Benefit Plan (continued)**

*Benefits provided:* Eligible retirees of the Institute receive healthcare coverage through one self-funded medical plan, including prescription drugs, administered by the Plan’s third-party administrator. 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, dental and prescription drugs. Retirees are also offered $10,000 of retiree basic life insurance.

In addition, the Trust 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 and dependent care expenses.

*Plan membership:* As of June 30, 2019, all active participants and retirees were moved to NMPSIA.

*Contributions:* 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. Effective January 1, 2019 the Institute will remit monthly premiums for eligible employees and retirees to NMPSIA.

Retiree contributions for medical, dental, vision and prescription drugs 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.

Contribution amounts vary by plan, salary level, and age (for retirees) and ranged as follows for the year ended June 30, 2019:

| Contribution Type | Monthly Contribution |
|---|---|
| Employer | $494 - $1,686 |
| Active member | $165 - $843 |
| Retiree | $293 - $1,355 |

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 net pay-as-you-go expense of the Institute for fiscal year 2019 was $2,239,377.

**Note 1 – General Description of Trust and Benefit Plan (continued)**

Effective January 1, 2019, NMPSIA will apply monthly group premium rates as established for all other member school districts and educational entities.

## Note 2 – Summary of Significant Accounting Policies

### 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 adopted Governmental Accounting Standards Board Statement No. 72 Fair Value Measurements and Application (GASB 72) in the prior year, to address the change in requirements for certain assets and liabilities to be measured at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques.

The Trust adopted Governmental Accounting Standards Board Statement No. 74, Financial Reporting for Postemployment Benefits Other than Pension Plans (GASB 74) in the prior year, to address the change in requirements to provide information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general-purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

### 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.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Employee 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, 2019.

**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) and New Mexico Local Government Investment Pool (LGIP).

Fair value is defined 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. 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:

| Asset Class | Long-term Target | Allowable Range |
|---|---|---|
| Fixed income securities | 30% | 25-50% |
| Equity securities | 70% | 50-75% |

Investments in debt and equity securities with readily determinable fair values and all investments in debt securities are measured at fair value as recorded on 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 fiduciary net position restricted for postemployment benefits other than pensions.

Investments are stated at fair value, with increases or decreases in fair value recognized in the statement of changes in fiduciary net position at the end of each month. Investment transactions are recorded on the trade date basis. Dividends are recognized as income when declared. Current fair value of investments may fluctuate markedly from what is recorded at June 30 each year.

**Note 2 – Summary of Significant Accounting Policies (continued)**

The Trust has an agreement with the Institute for investment of the majority of the Trust’s funds. The majority of investments of the Trust are held by the New Mexico State Investment Council (NMSIC). 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 NMSIC’s investments are reported by the NMSIC in the following categories: private-purpose trust fund and external investment funds. Both types of funds participate in the NMSIC’s Large Cap. Active, Core Plus Bond, Mid/Small Cap., and Non-U.S. Developed Pool. Interest rate risk, custodial risk, credit risk, and risk of uncertainty of these investments are described in detail within the NMSIC’s financial report.

**Health Benefits Payable**
Health benefits payable are accrued based on Plan experience and reported as provision for incurred but not reported claims (IBNR) prior to January 1, 2019. The Trust holds employee and the Institute’s contributions which are used solely to offset claims incurred and administrative fees associated with the Plan. As of June 30, 2019 there were $25,431 in claims incurred but not reported, which is reported in the statement of changes in fiduciary net position as claims incurred but not reported.

**Flexible Benefits Payable**
Flexible benefits payable represents 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.

**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.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Income Tax Status**

The Internal Revenue Service has determined and informed the Trust 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 period covered by the accompanying financial statements.

**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 the following:

a) claims incurred but not reported liability (IBNR),
b) net other postemployment benefits (OPEB) liability

**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 stand-alone 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. The OPEB liability that was recorded on the financial statements of the Institute at the beginning of the year ending June 30, 2017, with the adoption of GASB 74, has been removed from the Trust. GASB 45 further requires a bi-annual actuarial study be obtained to measure the amount of the pension benefits on an accrual basis. GASB 74 continues this requirement. The Trust's very first actuarial study was obtained for the year ended June 30, 2015, and the initial measurement date was July 1, 2014. The Trust obtained its fifth actuarial study for the year ended June 30, 2019, and its measurement date was June 30, 2019. The Institute's OPEB plan is currently on a pay-as-you-go basis.

### Note 2 – Summary of Significant Accounting Policies (continued)

**Subsequent Events**
Subsequent events have been evaluated through October 24, 2019, 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, 2019. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

### Note 3 – Net Other Postemployment Benefits Liability

The components of the Institute's net OPEB liability at June 30, were as follows:

| | |
|---|---|
| Total OPEB liability | $ 6,952,696 |
| Plan fiduciary net position | 4,243,367 |
| The Institute's net OPEB liability | $ 2,709,329 |
| Plan fiduciary net position as a percentage of total OPEB liability | 61.03% |

**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.

**Note 3 – Net Other Postemployment Benefits Liability (continued)**

The total OPEB liability was determined by an actuarial valuation as of January 1, 2019 using the following actuarial assumptions, applied to all prior periods included in the measurement:

| | 2019 |
|---|---|
| Actuarial Cost Method: | Entry Age Normal, allocated on a level % of salary method |
| Asset Valuation Method: | Market value: |
| Discount Rates: | Blended Rate<br>Fiscal Year Ending June 30, 2019 – 5.80%<br>Fiscal Year Ending June 30, 2018 – 4.40%<br><br>Fully Funded Rate – 6.00%<br><br>Non-Fully Funded Rates are based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index rate. The Bond Buyer General Obligation 20-Bond Municipal Bond Index rate for the fiscal year ending June 30, 2018 is 3.87%. |
| CPI: | 2.5% |
| Projected Salary Increase: | 3.00% |
| Mortality: | RP-2006 headcount-weighted mortality table with fully generational mortality improvement from the central year using Scale MP-2017. |
| Participation Rate: | Actual data was used for current retirees. It was assumed that 85% of future retirees are assumed to be eligible for and enroll in the retiree health plan. |
| Spousal Participation Rate: | Upon retirement, 33% of eligible future retirees are assumed to be married. It is assumed that 50% of future retirees with a spouse who elect retiree health coverage are assumed to cover an eligible spouse. Males are assumed to be three years older than females. |

**Note 3 – Net Other Postemployment Benefits Liability (continued)**

The actuarial assumptions used in the January 1, 2019, valuation were based on the results of an actuarial experience study for the periods July 1, 2010, through June 30, 2019.

The long-term rate of return on assets is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index which was 3.87% as of June 30, 2019.

The unfunded actuarial accrued liability (UAAL) is amortized over the maximum acceptable period of 30 years and is calculated assuming a level dollar basis for each individual active participant through retirement.

**Annual OPEB Cost and Net OPEB Obligation**

The Institute's annual other postemployment benefit (OPEB) cost (expense) is calculated 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. With the adoption of GASB 75, OPEB cost will no longer be based on the ARC.

**Discount Rate**

The discount rate was determined by blending the Institute's long-term rate of return on assets and the interest rate reported under the 20-Year Municipal Bond Index. The long-term rate of return on the Benefit Trust assets is assumed to be 6.00%, as disclosed in the Fiscal Year Ending June 30, 2018 actuarial report, dated September 2017. GASB 74 requires the use of the interest rate in 20-Year Municipal Bond Index be used for payments expected to be made outside of the Benefit Trust assets. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was used for the determination of this rate. The Bond Buyer General Obligation 20-Bond Municipal Bond Index yield is 4.40% as of June 30, 2019. The effective blended rate for all benefit payments was calculated at 5.80%.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the Institute's net OPEB liability calculated using the discount rate of 5.80%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.80%) or 1-percentage-point higher (6.80%) than the current rate:

| | 1% Decrease (4.80%) | Current Discount Rate (5.80%) | 1% Increase (6.80%) |
|---|---|---|---|
| Net OPEB liability | $ 3,440,635 | $ 2,709,329 | $ 2,096,802 |

## Note 3 – Net Other Postemployment Benefits Liability (continued)

### Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Institute's net OPEB liability calculated using the current healthcare cost trend rate of 3.00%, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (2.00%) or 1-percentage-point higher (4.00%) than the current rate:

| | 1% Decrease (2.00%) | Current Health Care Trend Rate (3.00%) | 1% Increase (4.00%) |
|---|---|---|---|
| Net OPEB liability | $ 2,030,908 | $ 2,709,329 | $ 3,507,092 |

## Note 4 – Cash and Cash Equivalents

### Cash

The Trust 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.

Deposit classification in the financial statements at June 30, 2019, follows:

| Name of Depository | Account Name | Bank Account Type | Bank Balance | Reconciling Items | Statement of, Fiduciary Net Position Balance |
|---|---|---|---|---|---|
| Wells Fargo Bank | Operating | Cash | $ 1,301,681 | $ (8,015) | $ 1,293,666 |
| Wells Fargo Bank | Claims | Cash | 277,032 | (18,468) | 258,564 |
| | | | $ 1,578,713 | $ (26,483) | $ 1,552,230 |

### Note 4 – Cash and Cash Equivalents (continued)

**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. As of June 30, 2019, the Trust's deposits were exposed to custodial credit risk as follows:

| | |
|---|---|
| Custodial credit risk - deposits | |
| Wells Fargo account balances | $ 1,578,713 |
| FDIC insured | (250,000) |
| Total uninsured | $ 1,328,713 |

The Trust's pledged collateral as of June 30, 2019 was as follows:

| | |
|---|---|
| Uninsured public funds | 1,328,713 |
| 50% collateral required | 664,357 |
| Pledged collateral held by pledging banks' agent in the name of the Institute | 1,773,703 |
| Excess of pledge collateral over (under) the required amount | $ 1,109,347 |

### Note 5 – Interest in the Local Government Investment Pool

The investment in the New Mexico State Treasurer's Local Government Investment Pool (LGIP) is valued at amortized cost which approximates fair value. The State Treasurer's interpretation of GASB 31, as amended by GASB 79, is that LGIP currently meets all of the necessary criteria to elect to measure all of the investments in LGIP at amortized cost. The 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 LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other State investments. The LGIP 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.

**Note 5 – Interest in the Local Government Investment Pool (continued)**

Participation in the LGIP is voluntary. The Trust has no control over the New Mexico 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:

*New MexiGROW* LGIP AAA-m rated $952,096 35 day WAM(R) and 112 day WAM(F)

There were no restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) to disclose in accordance with GASB 79.

As the Institute's investment in LGIP is under $30 million, the Trust's only withdrawal limitation on its balance is to provide 24-hour notice to the New Mexico State Treasurer.

**Note 6 – Investments**

Investments are principally held at the New Mexico State Investment Council (NMSIC) which provides investment services in accordance with its policies and statutory requirements Section 6-8-9 NMSA. 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 NMSIC for the fiscal year ended June 30, 2019. That report may be obtained by writing to State Investment Council, 41 Plaza la Prensa, Santa Fe, NM 87507 or on the SIC's website at www.sic.state.nm.us.

A summary of investments at June 30, 2019, follows:

| Investments | Ratings | Fair Value |
|---|---|---|
| Investments not subject to categorization | | |
| New Mexico State Investment Council pooled funds | | |
| Fixed income securities | Not rated | $ 355,355 |
| Equity securities | Not rated | 1,418,532 |
| Total investments | | $ 1,773,887 |

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 7.1%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. As of June 30, 2019, equity securities were 5% above the allowable range limit of the asset allocation and fixed income securities were 5% below the allowable range limit.

### Note 7 – Fair Value of Investments

U.S. generally accepted accounting principles establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows

**Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access.

**Level 2** – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

The investment portfolio is comprised of equity securities (common stock), mutual funds, and pooled investments with the NMSIC classified by management and is recorded in the financial statements at fair value. The corresponding unrealized gain or loss in the fair value in relation to cost is accounted for as a separate item in the statement of fiduciary net position and statement of changes in fiduciary net position.

The Trust used quoted market prices in an active market to determine the fair value of debt and equity securities and mutual funds. These measurements are classified within Level 1 of the fair value hierarchy. The Trust uses the net asset value provided by the NMSIC as an approximation of the fair value of NMSIC investments. These measurements are classified within Level 2 of the fair value hierarchy. Neither of these approaches changed from previous periods.

**Note 7 – Fair Value of Investments (continued)**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the fair value measurements of assets and liabilities at June 30, 2019:

| | Fair Value | Markets for Identical Assets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Investments held with the New Mexico State Investment Council (SIC): | | | | |
| Large Cap Active Pool | $ 1,122,401 | $ 1,122,401 | $ - | $ - |
| Core Plus Bonds Pool | 355,355 | - | 355,355 | - |
| Mid/Small Cap Pool | 177,722 | 177,722 | - | - |
| Non U.S. Developed Pool | 118,409 | 118,409 | | |
| State Treasurer Office (STO) LGIP | 952,096 | - | 952,096 | - |
| | $ 2,725,983 | $ 1,418,532 | $ 1,307,451 | $ - |

GASB 72 requires additional disclosure for certain types of investments that calculate net asset value per share but are not publicly traded to assist with in understanding the nature and risk of these investments by major category. The table below summarizes the fair value and other pertinent liquidity information of investments at June 30:

| Investment | Fair Value | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|
| Large Cap Active Pool | $ 1,122,401 | Daily | 5 Business Days |
| Core Plus Bonds Pool | 355,355 | Daily | 5 Business Days |
| Mid/Small Cap Pool | 177,722 | Daily | 5 Business Days |
| Non U.S. Developed Pool | 118,409 | Daily | 5 Business Days |
| State Treasurer Office (STO) LGIP | 952,096 | Daily | 1 Business Day |

### Note 8 – Transactions with the Institute

Certain employees of the Institute 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 the Institute.

### Note 9 – Concentrations

The Trust's investments in the LGIP with the New Mexico State Treasurer and pooled investments with the NMSIC both exceed 5% of net position restricted for postemployment benefits other than pensions at the custodial level.

### Note 10 – 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, 2018, 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, 2019, the changes in reserves for claims and claims adjustment expenses are as follows:

| | |
|---|---|
| Liability for claims and claims adjustment expenses at beginning of year | $ 996,000 |
| Incurred claims and claims adjustment expenses | 2,768,495 |
| Payments, net of recoveries | (3,739,064) |
| Liability for claims and claims adjustment expenses at end of year | $ 25,431 |

The Trust has stop-loss insurance for individual employee claims in excess of $140,000, with an overall limitation on aggregate claims of $1,000,000, for claims prior to January 1, 2019.

### Note 11 – 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.

**Note 11 – Funding Policy (continued)**

The Plan and Trust received its initial actuarial valuation during FY 2015. July 1, 2014, was selected as the valuation date. As of the July 1, 2015, actuarial valuation, the Institute's plan is still considered to be unfunded. 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 effective July 1, 2014. Since the plan assets started accumulating as of July 1, 2014, they were first recognized by the actuary in the current actuarial valuation.

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 net pay-as-you-go expense of the Institute for fiscal year 2019 was $61,287, net of retiree contributions. Effective January 1, 2019 NMPSIA receives all employee and retiree contributions based on premiums established by NMPSIA.

**Note 12 – Termination Provisions**

The Trust may be terminated upon sixty (60) days' notice by an instrument in writing duly executed by the institute and delivered to the Trust Committee. 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.

Effective January 1, 2019 the Trust is no longer provides health care benefits to Institute employees and retirees and now only provides other non-health care related benefits.

**Note 13 – New Accounting Standards**

GASB 84

Governmental Accounting Standards Board Statement No. 84 Fiduciary Activities establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. GASB 84 is effective for fiscal years beginning after December 15, 2018 (FY20). Management is currently evaluating the impact to the financial statements.

# Required Supplementary Information

# New Mexico Institute of Mining and Technology Employee Benefit Trust (A Component Unit of the New Mexico Institute of Mining and Technology)

**SCHEDULE 1**

## Schedule of Changes in Net OPEB Liability and Related Ratios Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | |
| Service cost | $ 1,133,021 | $ 1,336,954 | $ 1,883,445 | $ 1,354,443 | $ 1,732,469 |
| Interest cost | 934,290 | 795,268 | 2,234,168 | 2,116,515 | 2,640,118 |
| Changes of benefit terms | (26,482,164) | - | - | - | - |
| Differences between expected and actual experience | - | (38,278,983) | (712,784) | 4,075,509 | (16,659,685) |
| Changes of assumptions including plan investments | (1,094,865) | 10,160,068 | (929,743) | - | - |
| Benefit payments | (61,287) | (649,187) | (1,490,341) | (930,054) | (424,956) |
| Net change in total OPEB liability | (25,571,005) | (26,635,880) | 984,745 | 6,616,413 | (12,712,054) |
| Total OPEB liability - beginning | 32,523,701 | 59,159,581 | 58,174,836 | 51,558,423 | 64,270,477 |
| Total OPEB liability - ending (a) | 6,952,696 | 32,523,701 | 59,159,581 | 58,174,836 | 51,558,423 |
| **Plan Fiduciary Net Position** | | | | | |
| Contributions: Employer | 2,239,377 | 3,997,035 | 2,193,286 | 2,156,937 | 1,358,071 |
| Contributions: Employee | 1,631,735 | 3,386,902 | - | - | - |
| Net investment income | 148,836 | 173,858 | 208,440 | 85,879 | 28,200 |
| Administrative expenses | (306,363) | (359,518) | - | - | - |
| Other | (3,713,586) | (5,899,903) | - | - | - |
| Benefit payments | (61,287) | (649,187) | (1,490,341) | (930,054) | (424,956) |
| Net change in plan fiduciary net position | (61,288) | 649,187 | 911,385 | 1,312,762 | 961,315 |
| Plan fiduciary net position - beginning | 4,304,655 | 3,655,468 | 2,744,083 | 1,431,321 | 470,006 |
| Plan fiduciary net position - ending (b) | 4,243,367 | 4,304,655 | 3,655,468 | 2,744,083 | 1,431,321 |
| Institute's net OPEB liability - ending (a) - (b) | $ 2,709,329 | $ 28,219,046 | $ 55,504,113 | $ 55,430,753 | $ 50,127,102 |
| Plan fiduciary net position as a percentage of total OPEB liability | 61.0% | 13.2% | 6.2% | 4.7% | 2.8% |
| Covered employee payroll | $ 14,433,122 | $ 28,337,003 | $ 28,520,796 | $ 25,058,577 | $ 28,644,568 |
| Institute's net OPEB liability as a percentage of covered employee payroll | 18.8% | 99.6% | 194.6% | 221.2% | 175.0% |

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**Notes to Schedule:**

*Changes in benefit terms:* None.
*Changes of assumptions:* In 2019, the discount rate and long-term rate of return were increase to 5.80% from 4.40%.

# New Mexico Institute of Mining and Technology Employee Benefit Trust (A Component Unit of the New Mexico Institute of Mining and Technology)

**SCHEDULE 2**

## Schedule of Employer Contributions
## Last 10 Fiscal Years*

| Actual Valuation Date | Actuarially Determined Contribution (ARC) | Contributions in Relation to Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Employee Payroll | Contributions as a Percentage of Covered Employee Payroll |
|---|---|---|---|---|---|
| 1/1/2019 | $ 2,239,377 | $ 2,239,377 | $ - | $ 14,433,122 | 15.5% |
| 1/1/2018 | 3,997,035 | 3,997,035 | - | 28,337,003 | 14.1% |
| 7/1/2016 | 4,823,150 | 2,193,286 | (2,629,864) | 28,520,796 | 7.7% |
| 7/1/2015 | 4,390,249 | 2,156,937 | (2,233,312) | 25,058,577 | 8.6% |
| 7/1/2014 | 5,518,536 | 1,358,071 | (4,160,465) | 28,644,568 | 4.7% |

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**Notes to Schedule:**

See Note 3 to the financial statements for relevant actuarial assumptions.

# New Mexico Institute of Mining and Technology Employee Benefit Trust (A Component Unit of the New Mexico Institute of Mining and Technology)

**SCHEDULE 3**

## Schedule of Investment Returns
## Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense | 7.1% | 9.4% | 11.3% | 1.3% | 2.8% |

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
New Mexico Institute of Mining and Technology Employee Benefit Trust
and
Mr. Brian S. Colón, Esq.
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, 2019, and have issued our report thereon dated October 24, 2019.

### 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 opinion 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* 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 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.

Moss Adams LLP

Albuquerque, New Mexico
October 24, 2019

# New Mexico Institute of Mining and Technology
# Employee Benefit Trust
# (A Blended Component Unit of the New Mexico Institute of Mining and Technology)
## Summary of Auditor's Results (As Required by 2.2.2.10 NMAC L(1) (f)
## June 30, 2019

***Financial Statements***

| | | |
|---|---|---|
| Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified | |
| Internal control over financial reporting: | | |
| • Material weakness(es) identified? | ☐ Yes | ☒ No |
| • Significant deficiency(ies) identified? | ☐ Yes | ☒ None reported |
| Compliance and other matters noted? | ☐ Yes | ☒ No |

No matters were reported.

# New Mexico Institute of Mining and Technology
# Employee Benefit Trust
# (A Blended Component Unit of the New Mexico Institute of Mining and Technology)
## Summary Schedule of Prior Audit Findings
## June 30, 2019

No prior year matters reported.

An exit conference was held on October 23, 2019, and attended by the following:

**New Mexico Institute of Mining and Technology Employee Benefit Trust:**

| | |
|---|---|
| Dr. Stephen Wells | President |
| Dr. Cleve McDaniel | Vice President for Administration and Finance |
| Jerry Armijo | Trustee/Secretary/Treasurer |
| David D. Landrum | Associate Vice President for Administration and Finance |
| Angie Gonzales | Associate Director of Human Resources |
| Melissa Tull | Controller |

**Moss Adams LLP:**

| | |
|---|---|
| Lisa Todd | Audit Partner |
| Corrine Zajac-Clarkson | Senior Manager |
| Michael McGinley | Manager |

The basic financial statements have been prepared by Moss Adams LLP with the assistance of the Trust. The content in this report is the responsibility of the Trust.