



FINANCIAL STATEMENTS
JUNE 30, 2008



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NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY

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Official Roster

June 30, 2008

Board of Regents

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Dr. Veronica Garcia	Secretary of Education

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Robert L. Lee	Director, New Mexico Petroleum Recovery Research Center
John L. Meason	Director, Energetic Materials Research and Testing Center
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Leyla A. Sedillo	Associate Vice President for Budget and Analysis
Alex K. Thyssen	Director of Internal Audit

Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities and fiduciary fund of the New Mexico Institute of Mining and Technology (Institute) as of and for the year ended June 30, 2008, as listed in the accompanying table of contents. We have also audited the budget comparison presented as supplementary information for the year ended June 30, 2008, as listed in the accompanying table of contents. These financial statements and budgetary comparisons are the responsibility of the Institute's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the New Mexico Tech Research Foundation, a component unit of the Institute. These financial statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Foundation is based on the reports of the other auditors.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Institute are intended to present the financial position and changes in financial position and cash flows, where applicable, of only that portion of the business type activities of the State of New Mexico that is attributable to the transactions of the Institute. They do not purport to, and do not present

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

the financial position of the State of New Mexico as of June 30, 2008, and the changes in financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities, the discretely presented component unit and fiduciary fund of the Institute as of June 30, 2008, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary schedules referred to above present fairly, in all material respects the budgetary comparison for the year ended June 30, 2008 in conformity within the budgetary basis of accounting prescribed by the New Mexico Administrative Code, and more fully described in Note 1, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2008, on our consideration of the Institute's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, presented on pages 4 through 20, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Institute's basic financial statements and budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Deposit Collateral and the Schedule of Changes in Assets and Liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, the Schedule of Changes in Assets and Liabilities and the Schedule of Deposit Collateral have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Albuquerque, New Mexico
November 12, 2008

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2008**

The New Mexico Institute of Mining and Technology (Institute) Management's Discussion and Analysis of annual financial statements provide an overview of the Institute's financial activities for the fiscal year ending June 30, 2008. Also included is a 2007 financial summary for comparison purposes. This annual report is the sixth year the financial statements are presented in the Governmental Accounting Standard Board Statements (GASB) 34 and 35 reporting format. The Institute, as do all of New Mexico colleges and universities, uses the Business Type Activity (BTA) format to report the financial statements.

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

A brief summary is provided for the following financial reports:

- Statement of Net Assets (SNA);
- Statement of Revenues, Expenses and Changes in Net Assets (SRECNA); and
- Statement of Cash Flow.

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

Statement of Net Assets (SNA)

The Statement of Net Assets is a report of the financial and capital resources managed by the Institute. The SNA is a summary of the Institute's assets and liabilities, and, it is a "snapshot" of the Institute at the close of business at the date of the statement in this case June 30, 2008.

The statement format used by the Institute is Assets less Liabilities equals Net Assets. Assets and liabilities are presented in the order of their liquidity. Thus, the current assets and current liabilities are listed before non-current assets and non-current liabilities.

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008**

Total assets increased \$6.9 million or 2.9%. Several categories in the asset classification had significant changes during the fiscal year. Cash and cash equivalents increased \$20.8 million in the current assets and decreased \$12.3 million dollars in the non-current assets. Total current assets increased \$14.3 million mainly because the Contracts and Grants Receivable increased \$6.5 million. The account receivables balance at the end of the year was \$13.0 million, versus \$19.5 million in 2007. The decrease in the Grants and Contracts receivable is related to an increase contract and grants activity and the related collections during the fiscal year.

Total non-current assets decreased \$7.4 million. Capital assets, net of depreciation, increased \$1.9 million because of the addition of the constructions work in progress for the Kelly Building and Jones Hall.

Total liabilities decreased \$13.8 million or 33.3%. The large decrease was due to the expenditure of Deferred Revenue for the MRO project. The current liabilities decreased \$12.9 million for the same reason. Deferred revenue decreased \$10.7 million from additional funds held for the MRO construction project.

Non-current liabilities decreased \$896 thousand

Net Assets is divided into three categories:

- Invested in capital assets, net of related debt: This category consists of capital assets reduced by outstanding debt and accumulated depreciation. The net increased \$2.6 million represents the additional equipment and capital construction projects capitalized during the year. Also included in the net is the addition depreciation expense. See footnote number 3 for more detail. Long-term capital debt was reduced by a principal payment of \$750 thousand this fiscal year after the final payment of the 1998 revenue bond.
- Restricted net assets: This category is subdivided into non-expendable and expendable. The non-expendable is restricted assets that are for investment purposes only, such as endowments. Expendable restricted assets are available for expenditures restricted by the creditor, donor or other external source such as grants and contracts. This category increased \$1.0 million.
- Unrestricted net assets: This category reports the assets available to the Institute for any lawful purpose. These funds increase \$6.9 million, due mostly to the investment in capital assets, offset partially by the increase of net assets from revenues and expenditures and the increase in the Institute share of the New Mexico Land and Permanent Fund.

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008**

Statement of Net Assets (SNA)

	(In Thousands)	
	June 30, 2008	June 30, 2007
Assets		
Current assets	\$ 54,687	40,394
Capital assets, net of depreciation	126,498	124,637
Other assets	<u>63,286</u>	<u>72,555</u>
Total assets	<u>\$ 244,471</u>	<u>237,586</u>
Liabilities		
Current liabilities	\$ 19,094	31,955
Non-current liabilities	<u>8,517</u>	<u>9,413</u>
Total liabilities	<u>27,611</u>	<u>41,368</u>
Net Assets		
Invested in capital assets, net of debt	126,498	123,887
Restricted, non-expendable	4,209	3,197
Restricted, expendable	54,829	44,631
Unrestricted	<u>31,324</u>	<u>24,412</u>
Total net assets	<u>216,860</u>	<u>196,218</u>
Total net assets and liabilities	<u>\$ 244,471</u>	<u>237,586</u>

Statement of Revenue, Expenses and Changes in Net Assets (SRECNA)

The Statement of Revenues, Expenses and Changes in Net Assets (SRECNA) is a report of the Institute's economic activity for the twelve-month period or fiscal year ending June 30, 2008. The SRECNA reports the revenues and expenses for one-year's activity, unlike the SNA which is a snapshot of the Institute as of the date of the statement. Operating and non-operating revenues and expenditures are reported in this statement.

NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008

- Operating revenues are received to provide goods and services to the constituencies of the Institute. The operating revenue includes; tuition, federal, state and private grants and contracts and auxiliary service fees. Total operating revenue decreased \$15.0 million, or 12.8%. Net tuition revenue increased \$422 thousand. Grants and contracts revenue decreased \$3.4 million compared to last year. All other income increased \$11.8 million. \$11.6 million decrease in operating revenue was due to a GASB reporting change to the financial statement. State Research Support and State Independent Operations Support were reclassified from operating to non-operating revenue for two reasons. First of all in order to reconcile the state budget to actual the reclassification was necessary. Secondly, upon further review and interpretations of the GASB 34 and 35 regulations it was determined that the correct classification for all state appropriated funds was non-operating. The state appropriations that were reclassified included all the Research and Public Service Programs, or non I & G funds receive each year. A comparison was made to other state universities who receive similar funding. They also report all state appropriations as non-operating. Comparing the 2007 operating revenue, after the reclassification, would report a \$4.2 million decrease or 5.0%. This decrease is attributed to lower contract collection for 2008.
- Operating expenses are the cost of providing the good and services for the operating revenue received. Total operating expenses decreased \$5.0 million or 3.5%. The instruction and general expenditures decreased \$85 thousand. Research and other sponsored activities decreased \$2.2 million. All other operating expenditures decreased \$2.7 million.
- The net operating loss for this fiscal year is \$36.0 million compared to last year's net operating loss of \$26.0 million. The GASB required reporting format is mandated to not include state support as operating revenue. The Institute and all state universities will report an operating loss from operations.
- Non-operating revenues are funds or commitments received in support of the Institute, but do not provide for the operation of the institute, such as interest income, gifts and endowments. The one major exception for public colleges and universities is state appropriations. GASB 34/35 requires state appropriations to be included as non-operating revenues, even though those revenues are in direct support of the educational mission of the Institute. Instruction and general expenses are reported as operating expenses, therefore, because of the anomaly, an operating loss is reported each year. Non-operating expenses are the expenditure or investment of the funds received from non-operating sources.

NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008

The non-operating revenues increased \$15.1 million compared to last year due to the change in reporting all state appropriations as non-operating. Other revenue increased \$3.1 million over last year. The endowment fund's investments had capital gain of \$346 thousand compared to a capital gain last year of \$3.3 million. Capital appropriations increased \$1.1 million and other revenue increased \$5.0 million.

Net assets increased \$8.1 million compared to \$1.3 million in FY 2007.

	(In Thousands)	
	June 30, 2008	June 30, 2007
Operating Revenue		
Tuition and fees	\$ 8,001	7,579
Tuition discounts and allowances	<u>(2,527)</u>	<u>(2,268)</u>
	<u>5,474</u>	<u>5,311</u>
Federal grants and contracts	62,317	66,979
Private and other grants	18,801	15,114
State grants, research	<u>5,196</u>	<u>17,453</u>
	<u>86,314</u>	<u>99,546</u>
Auxiliaries sales and service	4,771	4,757
Scholarship allowances	<u>(957)</u>	<u>(919)</u>
	<u>3,814</u>	<u>3,838</u>
Land and permanent fund, interest and other income	<u>6,925</u>	<u>8,841</u>
Total operating revenue	<u>102,527</u>	<u>117,536</u>
Operating Expenses		
Instruction and general less related tuition discount and allowances	29,218	29,303
Research and other sponsored activities	81,475	83,722
Auxiliaries	4,326	4,287
Public service, student aid and independent operations	11,239	9,734
Depreciation expense	7,383	9,915
Other	<u>4,861</u>	<u>6,580</u>
Total operating expenses	<u>138,502</u>	<u>143,541</u>
Operating loss	(35,975)	(26,005)

NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008

	(In Thousands)	
	June 30, 2008	June 30, 2007
Non-Operating Revenues		
State appropriation	\$ 45,272	30,093
Interest, investment and other income	3,456	4,260
Gifts	<u>1,564</u>	<u>981</u>
Total non-operating revenue	<u>50,292</u>	<u>35,334</u>
Gain before other revenue and expenses	<u>14,317</u>	<u>9,329</u>
Other revenues and (expenses)		
Capital appropriation and other	5,979	(115)
Endowment capital additions	<u>346</u>	<u>3,330</u>
Total other revenues and expenses	<u>6,325</u>	<u>3,215</u>
Net increase in net assets	<u>\$ 20,642</u>	<u>12,544</u>

Statement of Cash Flows

The Statement of Cash Flows is a summary of the sources and uses of funds received by the Institute. The statement is presented in information in five sections. Each section is a summary of the funds received to that particular activity and the funds used for the activity. The Statement of Cash Flows includes:

- Cash flows from operating activities;
- Cash flow from non-capital financing activities;
- Cash flow from capital and related financing activities;
- Cash flow from investment activities; and
- Reconciliation of operating income (loss) to net cash provided (used) by operating activities.

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008**

	(In Thousands)
	June 30, 2008
Cash used by operating activities	\$ (35,017)
Cash provided by non-capital financing activities	48,822
Cash provided by investing activities	353
Cash used by capital and related financing activities	<u>(5,655)</u>
Net increase in cash and cash equivalents	8,503
Cash and cash equivalents, beginning of the year	<u>32,466</u>
Cash and cash equivalents, end of year	<u>\$ 40,969</u>

Note: The Institute Research Foundation statements are included as a component unit, but its operations are not managed or controlled by the Institute.

Comparison of Budget to Actual

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

The Original Budget and the Final Budget are the same. Two budget adjustment requests (BAR) were file with the Department of Higher Education during the year, but they were not accepted because of timeliness of the filing date. They were also concerned about the deficit in the cost centers due to Playas and EMRTC. The NMT Administration and the HED have agreed to meet and provide an update on the status of the updates by November 2008.

The Original Budget and the Final Budget compared to Actual reflect the changes in the financial activity at the Institute compared to the final outcome. The Unrestricted Current Funds Revenue was \$855 thousand less then anticipated. Expenditures were \$4,866 less than expected due lower research and capital outlay activity.

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

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008**

Capital Asset and Debt Administration

In October 2004, the Institute purchased the Playas, New Mexico town site from Phelps Dodge Corporation for \$5.1 million. The Institute purchased the site to use as a training site for the first responders program. The town site provides additional resources for the program conducted by EMRTC, ILEA and other homeland defense training programs. Additionally, the site is available to use on such programs as a test bed for energy research. The electrical utility infrastructure is an excellent site for such a program. The facility also provides economic opportunities for the southwestern New Mexico area an economically depressed part of the State because of the copper mine closures in the area. The Playas Training Center is operated by the Energetic Materials Research and Testing Center. The \$5 million investment is being recovered over five years, via range-use agreement with the U.S. Department of Homeland Security. To date, \$4.0 million has been collected. The final payment is due October 2008.

The replacement of the Institute aged and dilapidated hot and chilled water system continue to be the top priority for capital projects. The estimated cost of the project two years ago was \$13.5 million. The request for an addition \$8.0 million is was funded by the 2008 legislative session. The funding request is a part of the 2008 General Obligation Bond for the State of New Mexico that will be in the November 2008 election. Other major construction project to be discuss later in this document include; Fidel Student Service Center 3rd floor build out, renovation of Jones Hall, renovation and addition to Kelly Hall and the new Civil Engineer lab behind Workman Center.

The Institute Facilities Management Department continues to work on several infrastructure and landscaping projects. These were needed upgrades to the campus infrastructure and facilities to support the growth in students and accommodate request from the campus community to enhance the Institutes education capabilities the and research mission at the Institute. The projects are a deliberate continual upgrade of the campus.

The Refunding and Improvement Revenue Bond Series 1998 was paid in full on May 2008. The Institute does not have any outstanding long term debt at this time. However, a new residence hall will be needed to construct in the next two to five years. New bonds will be issued for the construction of these facilities when the decision is on the project is final.

Currently Known Facts

Enrollment

Enrollment at the Institute has remained relatively unchanging for the last five years. For example, the FY 06 student credit hours were 44,628; for FY 07, student credit hours were 44,419; and for FY 08, student credit hours were 44,985. Although total enrollment credit hours has not increase beyond the 5% threshold of the base year, the upper division and the graduate credit hours have increased significantly compared to the lower division

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008**

Credit Hours. The higher value of the upper division hours has increased the 2010 fund for the educational budget by more than 3%. This means the 2010 budget is eligible for additional funding to support the educational mission of the Institute. However, state funding for the 2010 budget is expected to be flat or reduced because lower projected state revenues.

Higher Education Funding, Formula

The funding formula for higher education in New Mexico rewards universities who grow their enrollment by more than 3%; otherwise, they are funded at the SCH in their base year. The Institute's base year is 2004. The New Mexico Higher Education Department, along with representatives of the universities and two year schools, continue reviewing the formula and its future financial impact on higher education in state. The forecast for high school graduation rates in New Mexico continues to be discouraging because of smaller class sizes and low graduation rates. Smaller high school graduating class means fewer students are in the pipeline to attend New Mexico colleges and universities.

Inflationary factors, such as health insurance, utilities and risk management insurance, were funded again in 2008. The "cost of opening the doors" expenses continue to be a top priority. The separate funding mechanism used to fund these cost are now embedded into the funding formula. The Funding Formula Task Force is continuing to develop modification to the current formula calculation to take into account the funding factors in the Instruction and General formula, Operation and Maintenance, Building Renewal and Replacement and the Equipment Renewal and Replacement formula.

This past year the Department has hired two new auditors. The first auditor visited the Institute to review the space files submitted to the Department each year. This is a report of the square footage eligible for operation and maintenance, utility and building renewal and replacement funding from the State. The staff was able to verify the total eligible footage after removing old inelible space and adding space that was not previously recorded. The net effect to the Institute was an increase in eligible space. However, any additional funding is limited by the estimated state revenue for next fiscal year.

The second auditor was hired to review the Research and Public Service Program (RPSP), such programs as; EMRTC, PRRC, Science Fair, etc. The audit for the Homeland Defense program was submitted. This was a follow up audit of the 2007 LFC audit of the program. A final report has not been received at this time.

Research

Below is a list of the research organizations within the Institute. Each continues to provide a public service to the community and enhances the education experience for the students. Most students have hands-on experience in their major field of study. This is a rare opportunity for students, and it is provided by only a select few universities in the world.

NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008

Bureau of Geology and Mineral Resources

The Bureau interacts with the university largely through support/employment of students (graduate and undergraduate), through jointly operated analytical laboratories, and through teaching, advising, and collaborative research by many bureau staffers at the university. The Bureau also interacts extensively with the NMT Research Division and the Petroleum Recovery Research Center through joint research, grant applications, and common-use laboratories. The Bureau is funded mainly through annual legislative appropriations as a line item in the university RPSP budget. However, it also receives funding from sales of publications, from local, county, and state agencies for cooperative projects, and through grants and contracts from a wide variety of federal agencies and university consortia. The Bureau has been instrumental in aquifer mapping for the State of New Mexico. This project along with the Decision Makers Conference has educated State legislators and other persons in position of authority to making better decisions that affect the use of our natural resources. This project, along with county grants for aquifer studies, has moved water resource studies to the top of our agenda for the foreseeable future.

Energetic Materials Research and Testing Center (EMRTC)

EMRTC is a world leader in research and testing of energetic material. Their anti-terrorist training programs and facilities are world class.

Their facilities include training and testing operations in the Socorro and at the Playas Training and Research Center (PTRC). EMRTC also operates the Institute for Complex Additive Systems Analysis (ICASA) and the MicroElectronics Testing and Technology Obsolescence Program (METTOP) in Socorro and the Institute for Engineering Research and Applications (IERA) in Albuquerque. EMRTC and its operations employ 270 professionals and staff, plus 78 student employees. In 2008 this workforce generated a payroll of \$17.5 million. Another 110 individuals are employed in New Mexico by firms working under contract to EMRTC.

EMRTC and its associated departments purchase in excess of \$24 million in supplies and services from companies located in Socorro, Albuquerque and Southern and Southwestern New Mexico. Students and contract instructors in EMRTC training programs spent another \$15 million at New Mexico businesses for lodging, meals, transportation, entertainment and local purchases.

EMRTC is a magnet for attracting business to New Mexico. Aerojet and Alliant Techsystems, for example, have established permanent facilities in the Institute's Research Park to have access to the many test sites and facilities in EMRTC's 40 square mile outdoor laboratory west of the Institute's main campus, further generating jobs and funding for New Mexico.

The Institute will receive \$23 million for its work through the National Domestic Preparedness Consortium in the Department of Homeland Security 2009 budget. EMRTC has trained more than 10,000 first responders every year to be ready for terrorist attacks and incidents involving weapons of mass destruction, through Energetic Materials Research and Testing Center.

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008**

Playas Training Center

The Institute/EMRTC's fourth year of operations at the Playas Training and Research Center (PTRC) continue to grow but at a slower rate than anticipated... The PTRC offers, among other things, standardized emergency operations training for first responders, advanced training for emergency operations and medical personnel, and real-world environments for conducting security and defense exercises. The US Border Patrol, and several other US Government agencies are now conducting ongoing operations and training at the PTRC. The Department of Defense has funded \$4.8 million for the 2009-10 federal fiscal year anti-terrorist training at Playas.

The Joint Forces Command (JFCOM) continued funding for Playa to develop a state-of-the-art "Command and Control" system and a mobile "Tracking System" that can be used for joint operations and training exercises anywhere in the world, for training and test programs at the PTRC and for coordinated responses to natural disasters and weapons of mass destruction (WMD) incidents around the world.

Participating units were able to conduct realistic combat explosive breaching operations at the PTRC during the exercise.

Petroleum Research and Recovery Center

The Petroleum Recovery Research Center of the Institute is one of the nation's leading petroleum research organizations. It has been the research arm of the oil and natural gas industry in New Mexico since its establishment as a research division of NMT by the New Mexico State Legislature in 1977.

The PRRC's research includes improved methods of enhanced oil and gas recovery and diversified energy technologies related to the oil and gas industry. Our research direction continues to evolve with New Mexico's industry, as we address more environmentally friendly technologies and means of sequestering greenhouse gases.

The PRRC's hydrocarbon-centered research, funded by the State of New Mexico, the federal government, and industry, pursues improved oil recovery through a number of projects. An online exploration tool helpful in hydrocarbon prospecting is in the final stages of development and testing. Other research involves the use of gels, polymers, and foams to stop excess water production in oil recovery, and the study of asphaltene properties that will ultimately aid in improved drilling practices.

In order to sustain a diversified program, the PRRC's research continuously expands to embrace important new areas. Currently these include membrane technology, carbon sequestration, and chemical/optics sensors.

The PRRC is equally committed to NMT's educational mission, as our students all work on various aspects of our research. The majority of our graduates have gone on to employment in academia and industry. The PRRC support students in a number of disciplines, including Petroleum, Chemical, and Materials Engineering, Computer and E & E Science, Technical Communication, Biology, and Hydrology.

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008**

The GO-TECH website at www.baervan.nmt.edu is an integral part of the services that the PRRC offers the public. In addition to offering a vast amount of well and formation data for New Mexico, GO-TECH includes Internet tools developed by the Industrial Services and Outreach Group (ISOG) that include digitized pool and well maps tied to production data, downloadable software, databases of prices, production, and well activity and other information. With an estimated six million hits recorded for the past year, GO-TECH has proven to be an outstanding Internet resource for New Mexico hydrocarbon information.

One of the most significant projects under the auspices of the PRRC is a \$67 million, decade-long carbon sequestration project through Southwest Regional Partnership, which is U.S. Department of Energy project led by the Institute. Scientists at the Petroleum Research and Recovery Center have been studying carbon sequestration since the 1970s. PRRC's other high profile projects is a \$1.5 million project to research the use of polymers for enhanced oil recovery.

Institute for Complex Additive Systems Analysis (ICASA)

As a research arm of the Institute its mission of advancing the science of complex systems through applied research of the protection of critical infrastructure systems, both physical and technological.

ICASA has continued its research mission in the areas of Electric Power, Computer Networks, Financial Systems, Border Security, and Advanced Training Technologies. Applied research projects in these areas have maintained federal funding due to their historical success, and the work remains largely supported by faculty mentored graduate and undergraduate students. One accomplishment of note is a pending patent in conjunction with the Department of Defense. It covers the application of finite-state modeling technologies to the analysis of technical-infrastructure systems. This is the result of a two-year basic research project into the analysis of Electric Power grids. Another noteworthy project is the Remote Interactive Simulation Engine (RISE).

Developed in conjunction with the Governor's Digital Media Project, the RISE project realizes a powerful analytic environment, blending technologies from game theory, social network analysis, and agent-based modeling. ICASA has also this year facilitated two very successful conferences in conjunction with federal and industrial partners in the area of homeland security.

Through ICASA, the Institute maintained its status as a federally-recognized center of excellence in Information Assurance Education. In conjunction with the Computer Science department, ICASA is standing up the Computational Analysis of Cyberterrorism Threats against the United States (CACTUS) program—a federally-funded initiative that will bring several new staff and student opportunities to the university. ICASA also continues to sponsor a team of digital-forensics "first responders" that applies the latest information assurance technology to real-world incidents and situations.

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008**

Institute for Engineering Research and Applications

(IERA) is a research and development organization focusing on the environment, power and energy, and homeland defense. As a research and applications arm of the Institute's EMRTC, IERA has been very active on both the national and international scenes during 2008.

Nationally, IERA—working with various departments at the Institute, the Playas Training and Research Center (PTRC), the State of New Mexico and the US Department of Energy—has conducted a variety of energy-related programs that address issues such as energy surety; National Power Grid/Micro-grid power, reliability and renewability; economically efficient energy delivery; more secure local energy supplies and critical infrastructure; increased power quality and/interface reduced outage costs to consumers; cleaner energy supplies; Zero Net Energy and/or Intelligent Energy Use Homes and Commercial Buildings and their impact and interface with the local power grid; integration of power generation; and Intelligent Demand Side Management. IERA is also actively pursuing an agreement with King Saudi University in Saudi Arabia to create a research contract to develop an environmental sustainability program. If successful it will be a five year program that will give the Institute presence in the Middle East.

International Law Enforcement Academy (ILEA)

ILEA provides advanced criminal justice management instruction to mid- to senior law enforcement officials from around the world and expose them to American society and institutions. The ILEA training program is conducted in Roswell, New Mexico on the campus of ENMU-Roswell. The program brings professional law officers from all over the world. To date, the Roswell academy has hosted 2,759 delegates from 85 countries, speaking 27 languages. ILEA's annual budget is the \$3.25 million budget, funded by the U.S. State Department.

Langmuir Laboratory for Atmospheric Research

A world leader in the study of cloud processes that produce lightning, hail, and rain.

Since thunderstorms produce lightning and half of the water supply in New Mexico, they have been the focus of a concerted research effort. An array of radio receivers invented and developed by the Institute's Langmuir Laboratory for Atmospheric Research shows how lightning propagates inside thunderstorms, as well as where thunderstorms develop and move across the landscape. Lightning Mapping System arrays are currently deployed at White Sands Missile Range, and at Langmuir Laboratory in New Mexico, where they will be capable of providing lightning locations for operational support to the NM Space Port; in the Washington, DC, area; in Oklahoma as part of the National Severe Storms Laboratory; and in the area of NASA's facilities in Huntsville, Alabama; and at Georgia Tech. Data from the systems are used by the National Weather Service to help notify and protect the public of danger from thunderstorms and lightning.

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008**

Collaboration is beginning between hydrologists at the Institute and Langmuir Laboratory staff to gain a comprehensive understanding of how rain from thunderstorms and snow from winter storms propagate down through mountains to provide water for our use. The development of special radar is underway to support the combined atmospheric and hydrologic studies of mountain storms.

IRIS/PASSCAL

The parent organization, Incorporated Research Institutions for Seismology, is a university research consortium dedicated to exploring the Earth's interior through the collection and distribution of seismographic data. PASSCAL Instrument Center is a core facility of IRIS, located on the Institute campus and operated by the Institute. PASSCAL stands for Program for Array Seismic Studies of the Continental Lithosphere, and it supports state-of-the-art equipment and worldwide field research in seismology. IRIS and PASSCAL have played a key role in the ongoing development of EarthScope in collaboration with the National Science Foundation

The PASSCAL Instrument Center at the Institute supports state-of-the-art, low-power, portable seismic instrumentation for investigator-driven experiments worldwide. With more than 3,500 instruments, the Center is the largest "lending library" of seismometers in the world. Tech is home to the national seismology instrument center, with more than \$20 million of top-of-the-line "broadband" seismic sensors and another \$50 million of other seismic equipment, all funded by the National Science Foundation. Since 1998, the Socorro research university has been home to the IRIS PASSCAL Instrument Center, which conducts over 50 national and global research projects each year and operates a lending library of more than 3,500 research seismographs.

Magdalena Ridge Observatory (MRO)

A multi-instrument observatory on top of the 10,600-foot-high Magdalena Ridge which includes a Target-of-Opportunity 2.4m telescope and a multi-element optical interferometer array designed to produce model independent images.

The Magdalena Ridge Observatory (MRO) is primarily intended for astronomical research and will be composed of two facilities, a single 2.4-Meter telescope and an array of optical/infrared telescopes called an Interferometer.

The single telescope commenced operations on July 1, 2008. MRO received a Certificate of Occupancy for the 2.4M Telescope Building. The telescope was delivered from the manufacturer, EOS Technologies Inc. Three proposals have been funded and negotiations are underway with other contractors.

Procurement for the Interferometer's Unit Telescopes (MROI) was issued. The response ultimately led to the award of a contract to Advanced Mechanical and Optical System (AMOS), a Belgium telescope manufacturing company. During the evaluation of the response to the UT RFP, full utility service (power, potable and fire water, and communications) were established on the Ridge for the MRO facilities.

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008**

The Magdalena Ridge Observatory Interferometer (MROI), named for its mountaintop perch, will capture distant light in as many as 10 movable 1.4-meter (about 4 1/2-ft.) telescopes. When these light beams are combined, they will create images that will be hundreds of times sharper than those of the Hubble Space Telescope. MROI's ability to capture images of natural processes that before had only been measured indirectly will provide insight into the formation of planets, the life cycle of stars and patterns of radioactive cosmic dust. The first two telescopes will arrive in 2010; researchers hope to start observations by 2012.

National Cave and Karst Research Institute

The National Cave and Karst Institute was awarded a \$5.2 million to construct a new center in Carlsbad, New Mexico. The funding is from the National Park Service to the City. The Institute will be housed in the facility. The program will facilitate speleological research, enhance public education, and promote environmentally sound cave and karst management.

Technology Transfer Support Group (TTSG)

Under a five-year Partnership Intermediary Agreement between New Mexico Tech (Tech) and the Air Force Research Laboratory (AFRL), Tech is responsible for CPO 1 – Tech Transfer for Education and CPO 2 – Tech Transfer.

Under CPO 1 – Tech Transfer for Education, Tech is responsible for developing, implementing and maintaining an integrated Education Recruitment and Professional Development System. This system includes the outreach to K-12 and university level students, as well as provides for professional development to the current workforce.

Economic Outlook

The economic outlook for the Institute over the next four to five years has gone from optimistic to let's wait and see. The main reason for the change of heart is the economic crisis that is plaguing the country and declining revenue in New Mexico. Departments within the Institute have been asked to closely monitor the expenditure they can control, such as staffing, travel and supplies. Any unnecessary expenses need to be eliminated. Other cost cutting and cost reducing measures are being explored for saving including a campus wide cell phone program thereby eliminate each department's separate program and giving the Institute the opportunity to get the best price possible.

The research and public services programs named above are aggressively seeking new funding. Because of the Institute's national and international reputation as an outstanding research university, their services are in demand. The research programs enhance the teaching, research and economic development missions of the Institute, the local community and the state. The research program also gives students the unique opportunity to work in their field of study. However, any growth in State funding for these programs is not expected for 2010. Funding will remain flat.

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008**

The loss of most of New Mexico's current Washington delegation present a challenge to the Institute because we are extremely active in procuring federal funds for the research and training mission. However, the longevity of the established programs has help solidify their funding. Recognizing the possibility of the turnover several years ago, we have changed the focus of funding requests from the legislature branch to the agencies. This redirection has helped insure programs continue to be funded whoever is in office.

As mentioned in last years MD&A the State of New Mexico high school graduation rate are expecting to be static over the next several years. The lack of growth is expected to stunt any increase in enrollment for New Mexico colleges and universities. The Institute Admission office has increased its recruitment efforts out of state, in such states as Texas, California, Arizona and Florida. These states are ripe for recruitment because their universities are at or near full capacity, and they have a large Hispanic population. The goal is to increase the Hispanic enrollment at the Institute from 25%. By qualifying as a Hispanic serving institution many more research and grant, plus other funding opportunities' will be become available to the Institute. As of the 2008 Fall semester the Hispanic enrollment has increased to 25.6%. The goal now is to maintain or increase the rate for the future and take advantage of the benefits of the HACU offers.

Capital Projects

Joseph A. Fidel Student Services Center was formally dedicated May 2006. However, the third floor was never completed due to lack of fund. With an appropriation from the New Mexico legislature funding for completion is now available. This floor will serve multiple purposes including conference space, but will also be used as an area for students to gather for study sessions and seminar.

Magdalena Ridge Observatory is estimated at \$50 million construction project. The first phase of the construction, the single telescope, is completed and operational. The second phase of the construction, the interferometer is expected to be complete and operation within the next two year.

As mentioned earlier in this report, the main campus utility infrastructure is defective. As the colder months near more failures in the hot water loop occur, but Facilities Management Department has the necessary staff, equipment and supplies to repair the failures quickly. Each failure requires the entire system to be shut down until the broken line is fixed. When the system is off, the campus is with out heat and domestic hot water. The system's failure is caused by its age (over 25 years old), construction activity on the campus, including the roof repairs and replacements due to the October 2004 hail storm, and a 2.9 earthquake on October 2005 whose epicenter was two miles from the campus.

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008**

The estimated cost to replace the hot-water loop is \$13.5 million. \$5 million has been reserved for the replacement project from BR&R capital funds. \$4.0 million was received from 2007 legislature via severance tax bond and a special infrastructure appropriation. The funding request from the 2008 New Mexico State Legislature was \$8.0 million which is in the November 2008 New Mexico General Obligation Bond for approval by the voters.

The number one capital funding request from the New Mexico State Legislature is for the construction of a new Geology Building to house the Bureau of Geology. The estimated cost of the new building is estimated to be \$22 million for a 82,000 square foot building to be located west of the Library on Bullock Street.

Capital projects under construction at this time include: Jones Hall Remodel \$2.5 million: This project is to replace and upgrade the buildings infrastructure and correct any outdated building and safety codes. This project is funded by the State of New Mexico Legislature.

Kelly Hall Addition \$5 million: The PRRC has been in need of additional space for several years. This addition will increase the growth of the program by adding an additional 12,000 square feet. This project is funded by the State of New Mexico Legislature.

Fidel Center 3rd Floor \$1.5 million: The official dedication of the Student Service Center did not include the third floor because of the lack of fund to finish the construction and furnish the meeting and conference room. The floor will also be available to student as study areas and for student seminars and similar activities.

Requests for Information

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

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
 STATEMENT OF NET ASSETS
 June 30, 2008

ASSETS	Institute	Component Unit
Current Assets		
Cash and cash equivalents	\$ 34,654,013	146,841
Short-term investments	2,355,316	17,272,952
Contract and grant receivables	12,983,422	-
Student accounts receivable, net of allowance for doubtful receivables of \$448,454	172,219	-
Other accounts receivable	764,818	1,880,992
Inventories	1,459,476	-
Other assets	2,298,219	4,294,102
Total current assets	54,687,483	23,594,887
Noncurrent Assets		
Restricted cash and cash equivalents	6,315,083	-
Endowment investments	26,147,064	-
Other long-term investments	30,822,705	-
Capital assets, net of accumulated depreciation	126,498,259	1,496,771
Total noncurrent assets	189,783,111	1,496,771
Total assets	\$ 244,470,594	25,091,658
LIABILITIES		
Current Liabilities		
Accounts payable and accrued payroll	\$ 6,386,526	507,562
Accrued compensated absences	3,255,566	-
Deferred revenue	9,451,753	-
Total current liabilities	19,093,845	507,562
Noncurrent Liabilities		
Deposits	80,105	-
Accrued compensated absences	4,404,375	-
Other noncurrent liabilities	4,031,907	-
Total noncurrent liabilities	8,516,387	-
Total liabilities	27,610,232	507,562
NET ASSETS		
Invested in capital assets, net of related debt	126,498,259	-
Restricted for		
Non expendable	37,283,014	1,660,183
Expendable		
Scholarships, research, instruction, and other	4,209,302	105,157
Loans	2,324,040	-
Capital projects	15,222,126	-
Unrestricted	31,323,621	22,818,756
Total net assets	216,860,362	24,584,096
Total net assets and liabilities	\$ 244,470,594	25,091,658

See Notes to Financial Statements.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
Year Ended June 30, 2008

	Institute	Component Unit
Operating revenues		
Tuition and fees	\$ 8,001,166	-
Tuition discounts and allowances	(2,527,417)	-
Federal grants and contracts	62,317,173	-
State and local grants and contracts	5,195,889	-
Private grants and contracts	16,270,206	-
Other grants and contracts	2,530,583	-
State land and permanent fund income	1,338,168	-
Sales and services of auxiliary enterprises	4,770,960	-
Tuition discounts and allowances	(956,907)	-
Other	4,704,048	-
Royalty income	-	780,626
Interest applied to current operations	883,501	-
Total operating revenues	<u>102,527,370</u>	<u>780,626</u>
Expenses		
Instruction and general		
Instruction	15,471,082	-
Academic support	2,092,905	-
Student services	3,009,838	-
Institutional support	5,900,650	-
Operations and maintenance support	6,227,486	-
Expense related to tuition discounts and allowances	(3,484,324)	-
Research	38,300,533	1,829,275
Other sponsored activities	43,174,309	-
Public service	2,386,934	-
Student aid grants and stipends	4,507,769	-
Auxiliary enterprises	4,326,166	-
Independent operations	4,344,298	-
Other expenditures	4,862,016	-
Depreciation and amortization	7,382,564	-
Total operating expenses	<u>138,502,226</u>	<u>1,829,275</u>
Operating (loss)	<u>\$ (35,974,856)</u>	<u>(1,048,649)</u>

See Notes to Financial Statements.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS (CONTINUED)
Year Ended June 30, 2008

	Institute	Component Unit
Non operating revenues		
State appropriations	\$ 45,271,825	-
Gifts	1,563,997	-
Interest and investment income (loss)	3,456,496	(1,984,248)
Net nonoperating revenues (loss)	<u>50,292,318</u>	<u>(1,984,248)</u>
Income (loss) before other revenues and expenses	<u>14,317,462</u>	<u>(3,032,897)</u>
Other revenues (expenses)		
Capital appropriations	4,368,332	-
Other	1,036,663	-
Interest and other expenses on capital asset related debt	(30,047)	-
Capital gifts and grants	603,861	-
Additions to permanent endowments	346,099	-
Net other revenues (expenses)	<u>6,324,908</u>	<u>-</u>
Net increase (decrease) in net assets	<u>20,642,370</u>	<u>(3,032,897)</u>
Net assets - beginning of year	<u>196,217,992</u>	<u>27,616,993</u>
Net assets, end of year	<u>\$ 216,860,362</u>	<u>24,584,096</u>

See Notes to Financial Statements.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2008

	Institute	Component Unit
Cash Flows From Operating Activities		
Tuition and fees	\$ 5,318,413	-
Grants and contracts	82,118,235	-
Sales and services of educational activities	4,770,960	-
Other operating receipts	6,026,220	796,724
Payments to employees for salaries and benefits	(74,494,285)	(65,000)
Payments to suppliers	(58,756,707)	(135,785)
Other payments	-	(950,075)
Net cash used by operating activities	<u>(35,017,164)</u>	<u>(354,136)</u>
Cash Flows From Noncapital Financing Activities		
State appropriations	45,271,825	-
Gifts for other than capital purposes	1,563,997	-
Other non operating revenue (expense)	1,036,663	(8,656)
Unrealized gain on permanent fund	949,960	-
Net cash provided (used) by noncapital financing activities	<u>48,822,445</u>	<u>(8,656)</u>
Cash Flows From Investment Activities		
Purchases of investments	(3,103,127)	(863,849)
Proceeds from sales of investments	-	968,996
Cash received from note receivable	-	85,464
Interest received on investments	3,456,496	123,077
Net cash provided by investing activities	<u>353,369</u>	<u>313,688</u>
Cash Flows From Capital and Related Financing Activities		
Cash paid for capital assets	(9,243,587)	-
Capital appropriations received	4,368,332	-
Repayments of capital debt	(750,000)	-
Interest paid on capital debt	(30,047)	-
Net cash used by capital and related financing activities	<u>(5,655,302)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	8,503,348	(49,104)
Cash and cash equivalents, beginning of year	<u>32,465,748</u>	<u>195,945</u>
Cash and cash equivalents, end of year	<u>\$ 40,969,096</u>	<u>146,841</u>
Cash and cash equivalents		
Unrestricted	\$ 34,654,013	
Restricted	<u>6,315,083</u>	
Total	<u>\$ 40,969,096</u>	

See Notes to Financial Statements.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
 STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended June 30, 2008

	Institute	Component Unit
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating (loss)	\$ (35,974,856)	(1,048,649)
Adjustments to reconcile operating (loss) to net cash used by operating activities		
Depreciation and amortization expense	7,382,564	593,620
Changes in assets and liabilities		
Student accounts receivable	160,105	-
Inventories	134,823	-
Other assets	(156,576)	-
Contract and grant receivables	6,547,613	-
Other receivables	(102,695)	85,464
Accounts payable and accrued expenses	(1,733,853)	-
Deferred revenue	(10,743,229)	12,963
Student and other deposits	1,240	-
Compensated absences	(532,256)	-
Other payables	(44)	2,466
Net cash used by operating activities	<u>\$ (35,017,164)</u>	<u>(354,136)</u>

See Notes to Financial Statements.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
Year Ended June 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 482,693
Short-term investments	<u>2,368,440</u>
Total assets	<u><u>\$ 2,851,133</u></u>
LIABILITIES	
Liabilities for claims expense	\$ 762,863
Deposits held in custody for others	<u>2,088,270</u>
Total liabilities	<u><u>2,851,133</u></u>

See Notes to Financial Statements.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

In reporting the financial statements, all significant transactions and balances between the Institute and the Fiduciary fund are eliminated.

Reporting Entity. In May 2002, Governmental Accounting Standards Board issued Statement No 39. The statement established standards for identifying a component unit through evaluation of the reporting entity and significance of certain related party transactions, defined as potential component units. Depending on the results of the GASB 39 evaluation, financial information of related parties determined to be component units could be required to be included in the financial statements of the reporting entity.

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

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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

The New Mexico Tech Research Foundation is a New Mexico not-for-profit corporation located in Socorro, New Mexico. The Foundation is organized to assist the New Mexico Institute of Mining and Technology by making available funds to pursue inventions, copyrights and other intellectual properties, institutional support and scholarships.

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

Basis of Accounting. For financial reporting purposes, the Institute is considered a special-purpose government engaged only in business-type activities. Accordingly, the Institute's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The Institute has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Institute has elected to not apply FASB pronouncements issued after the applicable date.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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

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

Procedures for Approval of Operating Budgets

1. The institution will submit an original typed copy that has been approved by the Institution's regents to the HED's office by May 1st.
2. The HED meets in June and acts on approval of the budgets.
3. The budgets, as approved by the HED, are transmitted to the Budget Division of the Department of Finance and Administration for official approval prior to July 1.

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

Budgetary Basis and Control. The Institute received a special appropriation for MESA in the amount of \$2,413,362 for fiscal year 2008. This amount is included in the final budget and was expended during the year with no outstanding encumbrances remaining at year end. Under Title 5 of the New Mexico Administrative Code, Chapter 3, part 4, paragraph 10 – Items of Budgetary Control: total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary basis are as follows: (1) unrestricted and restricted expenditures are considered separately; (2) total expenditures in instruction and general; (3) total expenditures of each budget function in current funds other than instruction and general; and (4) within the plant funds budget, the items of budgetary control are major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service. Budget revisions must be approved by the executive secretary of the New Mexico Department of Higher Education and then by the Budget Division of the Department of Finance and Administration.

Cash and Cash Equivalents. For purposes of the statement of cash flows, cash and cash equivalents include demand, savings, and money market accounts with an original maturity of 3 months or less.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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

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

Investments are made in accordance with the Constitution of the State of New Mexico and the policies of the Board of Regents. The investment policy has been structured in accordance with the Uniform Prudent Investor Act, NMSA 47-7 (601-612).

The Foundation accounts for investment portfolio at the fair market value on June 30 of each fiscal year. Endowment income is reported each year on the fair market value of the investments. The investments are managed on a total return basis with 4.5% of the average five year market value being made available for expenditure, and the remaining returns retained in the funds to compensate for inflationary growth. In the case of reserves, allocated, and agency funds, the total returns will remain with the funds until these funds are required to be expended for the purposes for which they were established. Capital gains reported for the endowment fund pooled investments for fiscal year ending June 30, 2008 was \$18,727,383. Endowment income made available for distribution for the established purpose was \$14,945,736. The Institute follows the State of New Mexico Uniform Management of Institutional Funds Acts (Chapter 46, Article 9, NMSA 1978) in accounting for net appreciation/depreciation of endowments.

Inventory. Inventories of supplies and materials held for sale or use are stated substantially at the lower of cost (first-in, first-out) or market value.

Income Taxes. The Institute, as an instrumentality of the State of New Mexico, is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Contributions to the Institute are deductible by donors as provided under Section 170 of the Internal Revenue Code. The Foundation is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

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

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Other Receivables. Other receivables consist of amounts due under various agreements not related to grants or contracts. Management reviews the collectibility of its receivables and, if necessary, records an allowance for its estimate of uncollectible accounts. Bad debt history and current facts and circumstances are their primary bases for this estimate. When an account is deemed uncollectible, it is charged off against the allowance.

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

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

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

Depreciation on all assets is provided on the straight-line basis over estimated useful lives with no salvage value. The Institute estimates the useful lives of fixed assets as follows:

Non-major infrastructure networks and land	20 - 30 years
Building	30 - 40 years
Furniture, fixtures and equipment	5 - 12 years
Library materials	10 years

Compensated Absences. The Institute accounts for the accumulated vacation leave on the accrual basis. Accrued vacation up to 120 hours is recorded at 100% of the employee's hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA). Employees exempt from coverage by FLSA earn one hour of compensatory time for each overtime hour. The accrual direct and incremental salary related payments such as, the employees share of social security taxes.

Deferred Income. Revenue for each academic session is reported within the fiscal year during which the session is completed. Revenues for the summer session starting in May 2008, are shown as deferred income in the accompanying financial statements since the session was not completed at June 30, 2008. Deferred revenues also include amounts received from grant and contract sponsors that have not been earned.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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

Net Assets. The Institute's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt. This represents the Institute's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Net Assets - Nonexpendable. Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted Net Assets - Expendable. Expendable restricted net assets are resources that the Institute is legally or contractually obligated to spend in accordance with imposed restrictions by third parties.

Unrestricted Net Assets. Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Institute, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Revenues. The Institute has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (3) most Federal, state and local grants and contracts and Federal appropriations, and (4) interest on institutional student loans.

Nonoperating Revenues. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources and state appropriations and investment income.

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

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

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

NOTE 2. CASH AND INVESTMENTS

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Institutions deposits may not be returned to it. The Institution does not have a deposit policy for custodial credit risk. As of June 30, 2008, the Institutes custodial credit risk was as follows:

Bank balance insured or collateralized	
In the Institute's name	\$25,758,761
Uninsured and uncollateralized	<u>17,249,236</u>
	<u>\$43,007,997</u>

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Investments. The Institute participates under a joint powers agreement in an Investment Pool (Pool) with the New Mexico State Investment Council (Council). Monies of Institute funds are pooled and invested by the Council in various debt and equity securities. Monies belonging to the New Mexico Tech Employees Benefit Trust (see Note 5) and to the New Mexico Tech Research Foundation (see Note 8) are included in the Pool under joint powers agreements with those entities; these amounts are not recorded Institute's financial statements. The Pool is recorded as investments on the Institute's balance sheets at market value. Since the Institute's investments are recorded at market value, there is a potential risk that due to the volatility of quoted market values the Institute's recorded investments in the Pool could be significantly affected.

The Institute also has investments in the State Treasurer's external investment pool (the Local Government Investment Pool). The investments are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government pool is voluntary.

A detail of the cash accounts at June 30, 2008 is included below:

New Mexico Institute of Mining and Technology

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciled Items	Reconciled Balance
Bank of America	Bank Fund	Checking	\$ 15,997	(1,699)	14,298
First State Bank	Comptroller Cash on Deposit	Checking	34,844,823	613,265	35,458,088
First State Bank	Payroll Cash on Deposit	Checking	141,604	(984,977)	(843,373)
First State Bank	NMEAF Cash of Deposit	Checking	50,030	5,341	55,371
First State Bank	Stafford Loan Cash on Deposit	Checking	79,472	-	79,472
First State Bank	MRO Cash on Deposit	Checking	6,180,433	(15)	6,180,418
Wells Fargo	Vendor Cash on Deposit	Checking	926,080	(956,492)	(30,412)
Western Bank	Bank Fund	Checking	26,636	4,093	30,729
			42,265,075	(1,320,484)	40,944,591
	Petty Cash	Cash	-	-	24,505
			<u>\$ 42,265,075</u>	<u>(1,320,484)</u>	<u>40,969,096</u>

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Agency Fund

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciled Items	Reconciled Balance
Wells Fargo	Employee Ben. Trust Oper.	Checking	\$ 111,168	(110,084)	1,084
Wells Fargo	Employee Ben. Trust Claims	Checking	631,754	(150,145)	481,609
			<u>\$ 742,922</u>	<u>(260,229)</u>	<u>482,693</u>

Investments of the Institute consist of the following at June 30, 2008:

Description	Market Value
Short-term	\$ 2,355,316
Endowment	26,147,064
Other long-term	<u>30,822,705</u>
	59,325,085
Agency fund	<u>2,368,440</u>
Total	<u>\$ 61,693,525</u>

	Balance per Bank Statement	Reconciled Balance per Books
Investment accounts		
Citigroup		
Langmuir endowment		
Money Market funds	\$ 136,400	136,400
Mutual funds	54,535	54,535
Corporate bonds	379,376	379,346
Government bonds	238,293	238,293
Stocks	1,182,190	1,182,190
Mortgage backed securities	13,614	13,614
NMT Capital Campaign		
Money Market funds	176,264	176,264
Mutual funds	564	564
Stocks	356,825	356,825
Common Stock	4,981,618	4,981,618
State Investment Council Pooled Fund	30,143,866	30,143,866
State Treasurer – LGIP	3,355,783	3,355,783
State Investment Council Permanent Fund	<u>20,674,197</u>	<u>20,674,197</u>
	<u>\$ 61,693,525</u>	<u>61,693,525</u>

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

A summary of the Institute's investments at June 30, 2008 and their exposure to custodial credit risk are as follows:

	Investments Exposed To Custodial Credit Risk	Uninsured, Unregistered, and Held by Counterparty not in the Institute's Name	Uninsured, Unregistered, and held by Counterparty's Agent not in the Institute's Name	All Investments Regardless of Custodial Credit Risk Exposure Fair Value
Money funds	\$ -	-	-	312,664
Certificate of Deposit	-	-	-	100,000
Bonds and mortgage- backed securities	-	-	-	631,283
Mutual Funds	-	-	-	55,099
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>1,099,046</u>
Investments not subject to categorization				
State Investment Council Pooled funds				
Fixed income securities				\$ 15,264,920
Equity securities				<u>14,878,946</u>
				30,143,866
State Treasurer				3,355,783
State Investment Council – Permanent Fund				20,674,197
Common stocks				<u>6,420,633</u>
Total investments				<u>\$ 61,693,525</u>

State Investment Council Assets. The Institute has an undivided interest in assets of the State of New Mexico Permanent Fund.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

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

A summary of the investments at June 30, 2008 and their exposure to credit risk are as follows:

Investments	WAM Years	Rating	Fair Value
Money funds	-	Not rated	\$ 312,664
Certificate of deposit	-	Not rated	100,000
Government bonds (FHLB)	1.48	Not rated	238,293
Corporate bonds			
	.51	AA3/A+	97,030
	.53	AA2/AA	99,660
	.81	AAA/AAA	101,923
	.40	A3/A	50,352
	.32	AAA/AAA	30,411
Mortgage-backed securities	13.03	Not rated	13,614
Mutual Funds	-	Not rated	<u>55,099</u>
			<u>1,099,046</u>
State Treasurer – LGIP	.06	AAAm	<u>3,355,783</u>
Items subject to credit risk			<u>4,454,829</u>

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Investments not subject to categorization	
State Investment Council Pooled funds (not rated)	\$ 30,143,866
State Investment Council – Permanent Fund (not rated)	20,674,197
Common stocks	<u>6,420,633</u>
Total Investments	<u>\$ 61,693,525</u>

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

A summary of the investments and their respective maturities at June 30, 2008 and their exposure to interest rate risk are as follows:

	Investment Maturities				Fair Value
	Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years	
Money funds	\$ 312,664	-	-	-	312,664
Certificate of deposit	100,000	-	-	-	100,000
Bonds and mortgage backed securities	155,659	462,010	-	13,614	631,283
Mutual funds	<u>55,099</u>				<u>55,099</u>
Items subject to interest rate risk	623,422	462,010	-	13,614	1,099,046
State Treasurer – 24 day weighted average maturity					3,355,783
Investments not subject to categorization					
State Investment Council Pooled funds (not rated)				\$ 30,143,866	
State Investment Council – Permanent Fund (not rated)				20,674,197	
Common stocks				<u>6,420,633</u>	
Total investments				<u>\$ 61,693,525</u>	

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 3. CAPITAL ASSETS

Following are the changes in capital assets for the years ended June 30, 2008:

	Balance June 30, 2007	Additions	Transfers	Retirements	Balance June 30, 2008
Capital assets not being depreciated					
Land	\$ 4,334,220	-	-	-	4,334,220
Construction in-progress	1,465,102	1,420,990	(363,442)	-	2,522,650
Total capital assets not being depreciated	\$ 5,799,322	1,420,990	(363,442)	-	6,856,870
Other capital assets					
Non-major infrastructure networks	\$ 19,115,177	-	254,383	-	19,369,560
Land improvements	3,465,894	-	109,059	-	3,574,953
Buildings	135,291,907	-	-	-	135,291,907
Furniture, fixtures and equipment	42,332,776	7,188,226	-	(2,054,498)	47,466,504
Library materials	12,200,256	634,372	-	(259,677)	12,574,951
Total other capital assets	212,406,010	7,822,598	363,442	(2,314,175)	218,277,875
Accumulated depreciation for					
Non-major infrastructure networks	(6,244,749)	(555,758)	-	-	(6,800,507)
Land improvements	(1,781,122)	(119,165)	-	-	(1,900,287)
Buildings	(43,366,455)	(3,909,593)	-	-	(47,276,048)
Furniture, fixtures and equipment	(33,918,680)	(2,234,275)	-	2,054,498	(34,098,457)
Library materials	(8,257,090)	(563,774)	-	259,677	(8,561,187)
Total accumulated depreciation	(93,568,096)	(7,382,565)	-	2,314,175	(98,636,486)
Other capital assets, net	\$ 118,837,914	440,053	363,442	-	(119,641,409)
Capital assets summary					
Capital assets not being depreciated	\$ 5,799,322	1,420,990	(363,442)	-	6,856,870
Other capital assets, at cost	212,406,010	7,822,598	363,442	(2,314,175)	218,277,895
Total cost of capital assets	218,205,332	9,243,588	-	(2,314,175)	225,134,745
Accumulated depreciation	(93,568,096)	(7,382,565)	-	2,314,175	(98,636,486)
Capital assets, net	\$ 124,637,236	(1,861,042)	-	-	126,498,259

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2008, is as follows:

	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008	Current Portion (Due in 2009)
Bonds and notes payable and other obligations					
Bond payable	\$ 750,000	-	(750,000)	-	-
Non-current liabilities					
Accrued compensated absences	8,192,197	4,524,129	(5,056,385)	7,659,941	3,255,566
Environmental cleanup	4,000,000	-	-	4,000,000	-
Other non-current liabilities	31,951	-	(44)	31,907	-
Total non-current liabilities	\$ 12,224,148	4,524,129	(5,056,429)	11,691,848	3,255,566

Environmental Cleanup. The Institute's Energetic Materials Research and Testing Center performs certain weapons testing for the US Department of Defense and defense contractors. As a result of the testing, which utilizes depleted uranium, the firing ranges have accumulated certain low-level radioactive waste. Responsibility for the majority of the clean up of the firing ranges contractually lies with the defense contractors that use the ranges, however, the Institute is responsible for a minor portion. Management of the Institute has accrued the costs estimated to be incurred in the clean-up process.

NOTE 5. EMPLOYEE BENEFITS

Employee Benefit Trust. The Board of Regents authorized the creation of the New Mexico Tech Employees Benefit Trust (Trust), a contributory benefit plan, to operate, control and maintain a program to provide certain health and life insurance benefits to the employees of the Institute and their families. Retired employees may participate in the Plan but must pay the full amount of their premiums. The Plan is therefore not considered a post-employment benefit plan as defined by GASB 43 *Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans*. The Trust is recorded as an agency fund in the accompanying financial statements. The Board of Regents serves as trustee and has delegated the day-to-day operations of the Trust to the executive staff of the Institute. The Institute contributed \$4,381,469 and employees contributed \$3,176,816 to the Trust during the year ended June 30, 2008. At June 30, 2008, the Institute's maximum annual liability exposure under the Trust is \$100,000 per individual and \$1,000,000 in the aggregate.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 5. EMPLOYEE BENEFITS (CONTINUED)

As of June 30, 2008, the changes in reserves for claims and claims adjustment expenses are as follows:

Liability for claims and claims adjustment expenses at beginning of the year	\$ 916,711
Incurred claims and claims adjustment expenses	7,020,972
Payments, net of recoveries	<u>(7,187,181)</u>
Liability for claims and claims adjustment expenses at end of the year	<u>\$ 750,502</u>

Workers' Compensation Insurance. The Institute is insured for workers' compensation through the State of New Mexico General Services Department-Risk Management Division (RMD). RMD provides workers' compensation for all employees as required by state law. The Institute remits payments to RMD for this coverage based on premium statements received from RMD. Total expense for the year ended June 30, 2008, was \$382,652 which has been charged to expenditures.

Retirement Plan

Plan Description. Substantially all of the Institute's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districted, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 5. EMPLOYEE BENEFITS (CONTINUED)

Funding Policy. Plan members are required to contribute 7.85% of their gross salary. The Institute is required to contribute 10.9% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and the Institute are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Institute's contributions to ERB for the fiscal years ending June 30, 2008, 2007, and 2006 were \$37,069,998, \$35,783,289 and \$33,862,857, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Operating Leases. The Institute is obligated under certain lease (rental) agreements, which are accounted for as operating leases. Incorporated in each lease agreement is a fiscal funding clause, which allows the Institute to cancel the operating lease if funding for future periods is not appropriated. The likelihood of such an occurrence is considered to be remote by the Institute. Rent expense for June 30, 2008, is \$210,600.

Future minimum rental payments required under operating leases is as follows for the years subsequent to June 30, 2008:

Years Ending June 30	
2009	\$ 335,016
2010	32,101
2011	15,889
2012	<u>5,221</u>
	<u>\$ 388,227</u>

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 6. COMMITMENTS AND CONTINGENCIES (CONTINUED)

At June 30, 2008, the Institute had issued purchase orders for materials and services which were not received and thus not reflected as liabilities in the accompanying basic financial statement. The amount of such commitments is \$23,467,927.

Construction obligations of \$1,168,612 are not presented in the financial statements. These obligations represent unfinished contracts with various entities.

Contingencies. Reimbursements for amounts expended by the Institute under the terms of federal and state grants and contracts are subject to audit and possible adjustments by the granting agency. Grants and contracts for the years ended June 30, 2008 and 2007, are pending audits by federal and state agencies. It is the opinion of Institute management that adjustments, if any, will not have a material effect on the Institute's financial position or results of operations.

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

1. Liability and civil rights protection for claims made by others against the Institute.
2. Coverage to protect the Institute's property and assets.

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

The Institute is insured through General Service Department, Risk Management Division.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE 7. RECONCILIATION OF BUDGET BASIS TO GAAP

Budget basis revenues	\$ 154,235,412
Scholarship allowance	(2,527,417)
Agency revenues not included	(7,584,082)
Federal grant and contract accrual	5,491,205
Interest and investment income	3,425,721
Other adjustments	<u>6,103,757</u>
Revenues per GAAP	<u>\$ 159,144,596</u>
Budget basis expenditures	142,480,348
Capital expenditures	(9,243,607)
Depreciation and amortization	7,382,564
Scholarship allowance	(2,527,417)
Bond payments	(750,000)
Uses of compensated absences	(3,255,566)
Agency costs not included per GAAP	(8,666,285)
Other adjustments	<u>13,082,189</u>
Expenses per GAAP	<u>\$ 138,502,226</u>

NOTE 8. FOUNDATION CASH AND INVESTMENTS

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation does not have a deposit policy for custodial credit risk. As of June 30, 2008, the Foundation's bank balance was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 200,216
Uninsured and uncollateralized	<u>1,713,728</u>
	<u>\$ 1,913,944</u>

Investments. The Foundation participates under a joint powers agreement in an Investment Pool (Pool) with the New Mexico State Investment Council (Council). Monies of Foundation funds are pooled and invested by the Council in various debt and equity securities. The Pool is recorded as investments on the Foundation's balance sheets at market value. Since the Foundation's investments are recorded at market value, there is a potential risk that due to the volatility of quoted market values the Foundation's recorded investments in the Pool could be significantly affected.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE 8. FOUNDATION CASH AND INVESTMENTS (CONTINUED)

A detail of the cash accounts at June 30, 2008 is included below:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciled Items	Reconciled Balance
First State Bank		Cash	\$ 973,460	(863,634)	109,826
First State Bank	Savings	Cash	216	-	216
Wells Fargo Bank	Checking	Cash	940,268	(931,365)	8,903
UBS	Cash in investment accounts	Cash	27,896	-	27,896
			<u>\$ 1,941,840</u>	<u>(1,794,999)</u>	<u>146,841</u>

A summary of the Foundation's investments at June 30, 2008 and their exposure to custodial credit risk are as follows:

	Investments Exposed To Custodial Credit Risk	All Investments Regardless of Custodial Credit Risk Exposure
	Uninsured, Unregistered and Held by Counterparty not in the Institute's Name	Uninsured, Unregistered, and held by Counterparty's Agent not in the Institute's Name
		Fair Value
Certificate of deposit	\$	\$ 314,546
Equity Securities and Mutual Funds		<u>1,272,743</u>
		1,587,289
Investments not subject to categorization		
State Investment Council Pooled funds		15,264,924
Charitable Remainder Unitrust		<u>420,739</u>
Total investments		<u>\$ 17,252,952</u>

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE 8. FOUNDATION CASH AND INVESTMENTS (CONTINUED)

A summary of the investments at June 30, 2008 and their exposure to credit risk are as follows:

Investments	Rating	Fair Value
Certificate of Deposit	Not rated	\$ 314,546
Equity Securities and Mutual Funds	Not rated	<u>1,272,743</u>
Investments not subject to categorization		
State Investment Council Pooled funds		
Fixed income securities		4,583,197
Equity securities		<u>10,681,727</u>
		<u>15,264,924</u>
Charitable Remainder Unitrust		<u>420,739</u>
Total investments		<u>\$ 17,272,952</u>

A summary of the investments and their respective maturities at June 30, 2008 and their exposure to interest rate risk are as follows:

	Fair Value	Investment Maturities		
		Less than 1 Year	1-5 Years	6-10 Years
Certificate of deposit	\$ 314,546	314,546		
Equity Securities and Mutual Funds	<u>1,272,743</u>	<u>1,272,743</u>		

Items subject to interest rate risk

Investments not subject to categorization	
State Investment Council Pooled funds	15,264,924
Charitable Remainder Unitrust	<u>420,739</u>
Total investments	<u>\$ 17,272,952</u>

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 9. FOUNDATION CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Transfers	Retirements	Balance June 30, 2008
Capital assets not being depreciated					
Land	\$ 164,650	-	-	-	164,650
Other capital assets					
Building	\$ 1,648,127	-	-	-	1,648,127
Accumulated depreciation for					
Buildings	256,074	59,932	-	-	(316,006)
Other capital assets, net	\$ 1,392,053	(59,932)	-	-	1,332,121
Capital assets summary					
Capital assets not being depreciated	\$ 164,650	-	-	-	164,650
Other capital assets, at cost	1,648,127	-	-	-	1,648,127
Total cost of capital assets	1,812,777	-	-	-	1,812,777
Accumulated depreciation	256,074	59,932	-	-	(316,006)
Capital assets, net	\$ 1,556,703	(59,932)	-	-	1,496,771

Property. The Foundation has land and a building, which are recorded at cost; donations of property are recorded at their estimated fair value. The building is being depreciated using a straight-line method over the twenty-seven and a half year estimated useful life. The Foundation capitalizes property and equipment purchases with a cost over \$500.

NOTE 10. FOUNDATION PATENT

During the year ended June 30, 2001, the Foundation received a contribution of a patent with a fair market value of \$8 million at the date of donation:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Patent	\$ 8,013,105	8,656	-	8,021,761
Accumulated amortization	3,467,540	533,688	-	(4,001,228)
	\$ 4,545,645	(525,032)	-	4,020,613

The patent is being amortized over 15 years using the straight-line method. The net book value of the patent is included in other assets on the Statement of Net Assets. The Foundation has not received any earnings to date on this patent.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 11. RESTRICTED NET ASSETS

Income earned on non-expendable restricted net assets is available for scholarships and awards for students of the Institute. Any income not used during a year is to be reinvested and becomes permanently restricted. Non-expendable restricted net assets follow:

Educational Scholarships	\$ 756,155
Merit Awards	<u>904,028</u>
	<u>\$ 1,660,183</u>

NOTE 12. RESTRICTED EXPENDABLE

Restricted expendable assets are available for the purpose of the emergency loan program.

NOTE 13. RELATED PARTY TRANSACTIONS AND DONATED SERVICES

The Institute provides the Foundation's office space in exchange for property management services provided to the Institute by the Foundation. These transactions are not recorded in the Foundation's financial statements, as they are not significant and have no affect on the change in net assets.

The Foundation owns a \$420,000 insurance annuity which was acquired to benefit the president of the Institute. The annual payment was \$100,000 in 2008.

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

The Foundation leases an apartment building to the Institute. The lease is classified as an operating lease, and expires in June 2009 with an option to renew for an additional 3 years. Minimum future rentals are \$90,150 at June 30, 2008.

NOTE 14. SUBSEQUENT EVENT

Subsequent to year end the investment markets experienced significant fluctuations. This may impact the value of investments reported in the balance sheet in the subsequent fiscal year.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
 COMBINED REVENUES AND EXPENDITURES
 BUDGET COMPARISONS
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Net Assets	\$ 13,730,241	13,730,241	15,222,126	1,491,885
Revenues				
State general fund appropriations	52,837,300	52,837,300	49,640,156	(3,197,144)
Restricted Revenue Sources	89,974,000	89,974,000	81,260,897	(8,713,103)
Tuition and fees	6,021,283	6,021,283	8,001,166	1,979,883
Land and permanent fund	1,590,822	1,590,822	1,338,168	(252,654)
Endowment Earnings/Private Gifts	200,000	200,000	346,094	146,094
Other	8,580,114	8,580,114	13,648,931	5,068,817
Total revenues	159,203,519	159,203,519	154,235,412	(4,968,107)
Total revenues and cash balance budgeted	172,933,760	172,933,760	169,457,538	(3,476,222)
Expenditures				
Instruction and general	\$ 32,253,363	32,253,363	32,695,701	442,338
Student social and cultural	402,500	402,500	401,993	(507)
Research	98,986,789	98,986,789	88,631,936	(10,354,853)
Public service	2,994,738	2,994,738	2,397,558	(597,180)
Internal service departments	-	-	-	-
Student aid	3,396,865	3,396,865	3,772,087	375,222
Auxiliary enterprises	4,302,065	4,302,065	4,379,220	77,155
Intercollegiate athletics	175,500	175,500	198,548	23,048
Independent Operations	4,539,600	4,539,600	4,509,242	(30,358)
Capital outlay	7,771,510	7,771,510	4,714,015	(3,057,495)
Renewal and replacements	-	-	-	-
Retirement of indebtedness	781,200	781,200	780,048	(1,152)
Total expenditures	155,604,130	155,604,130	142,480,348	(13,123,782)
Net Transfers	(536,500)	(536,500)	(584,600)	(48,100)
Change in net assets-budgetary basis	3,062,889	3,062,889	11,170,464	8,107,575
Ending net assets	\$ 16,793,130	16,793,130	26,392,590	9,599,460

Under title 5 of the New Mexico Administrative Code, chapter 3, part 4, paragraph 10 - Items of Budgetary Control: The total expenditures in each of the following budgetary functions will be used as the items of budgetary control. Total expenditures or transfers in each of these items of budgetary control may not exceed the amounts shown in the approved budget:

- A. Unrestricted expenditures and restricted expenditures. B. Instruction and general.
- C. Each budget function in current funds other than instruction and general. D. Within the plant funds budget: major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service. E. Each individual item of transfer between funds and/or functions.

The purpose of the Budget Comparison is to reconcile the change in net assets as reported on a budgetary basis to the change in net assets as reported using GASB principles.

The reporting of actuals (budgetary basis) is a non-GASB accounting method that excludes depreciation and includes the cost of capital equipment and college workstudy.

Transfers play an important role in funding expenditures and moving revenue to areas where it may be used for improvement of the campus.

Accruals are included only if they exist within the financial system and may cause increases or decreases in revenue and expenditure activity.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
UNRESTRICTED CURRENT FUNDS
REVENUES AND EXPENDITURES
BUDGET COMPARISONS
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Net Assets	\$ 13,730,241	13,730,241	18,274,189	4,543,948
Revenues				
Tuition	4,988,383	4,988,383	6,597,798	1,609,415
Miscellaneous Fees	1,032,900	1,032,900	1,403,368	370,468
Government appropriation - federal	200	200	-	(200)
Government appropriation - state	52,837,300	52,837,300	49,640,156	(3,197,144)
Government appropriation - local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts -local	-	-	-	-
Private gift/contracts	-	-	-	-
Endowments	200,000	200,000	346,094	146,094
Land and permanent fund	1,590,822	1,590,822	1,338,168	(252,654)
Private gifts	-	-	-	-
Sales & service	4,713,111	4,713,111	4,770,430	57,319
Other sources	8,467,614	8,467,614	8,878,501	410,887
Total revenues	73,830,330	73,830,330	72,974,515	(855,815)
Total revenues and cash balance budgeted	87,560,571	87,560,571	91,248,704	3,688,133
Expenditures				
Instruction and general	32,253,363	32,253,363	32,695,701	442,338
Student social and cultural	402,500	402,500	401,993	(507)
Research	10,086,789	10,086,789	7,984,428	(2,102,361)
Public service	2,994,738	2,994,738	2,397,558	(597,180)
Internal service departments	-	-	-	-
Student aid	2,322,865	2,322,865	2,703,419	380,554
Auxiliary enterprises	4,302,065	4,302,065	4,379,220	77,155
Intercollegiate athletics	175,500	175,500	198,548	23,048
Independent operations	4,539,600	4,539,600	4,509,242	(30,358)
Capital outlay	7,771,510	7,771,510	4,714,015	(3,057,495)
Renewal and replacements	-	-	-	-
Retirement of indebtedness	781,200	781,200	780,048	(1,152)
Total expenditures	65,630,130	65,630,130	60,764,172	(4,865,958)
Net Transfers	(536,500)	(536,500)	(584,600)	(48,100)
Change in net assets-budgetary basis	7,663,700	7,663,700	11,625,743	3,962,043
Ending net assets	\$ 21,393,941	21,393,941	29,899,932	4,495,848

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
UNRESTRICTED CURRENT FUNDS
SUMMARY OF INSTRUCTION AND GENERAL
REVENUES AND EXPENDITURES
BUDGET COMPARISONS
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balances	\$ 1,202,952	1,202,952	5,263,020	4,060,068
Revenues				
Tuition	4,988,383	4,988,383	6,594,039	1,605,656
Miscellaneous Fees	412,500	412,500	619,666	207,166
Government appropriation - federal	-	-	-	-
Government appropriation - state	28,035,300	28,035,300	28,035,300	-
Government appropriation - local	-	-	-	-
Government grants - federal	200	200	-	(200)
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private gift/contracts	-	-	-	-
Endowment Earnings	200,000	200,000	243,950	43,950
Land and permanent fund	1,590,822	1,590,822	1,338,168	(252,654)
Private gifts	-	-	-	-
Sales & service	-	-	-	-
Other sources	3,954,300	3,954,300	7,522,496	3,568,196
Total revenues	39,181,505	39,181,505	44,353,619	5,172,114
Total revenues and cash balance budgeted	40,384,457	40,384,457	49,616,639	9,232,182
Expenditures				
Instruction	15,462,259	15,462,259	15,979,555	517,296
Academic support	2,502,820	2,502,820	2,505,055	2,235
Student services	2,066,559	2,066,559	2,086,900	20,341
Institutional support	6,559,282	6,559,282	5,573,114	(986,168)
Oper. & maint. of plant	5,662,443	5,662,443	6,551,077	888,634
Total expenditures	32,253,363	32,253,363	32,695,701	442,338
Net transfers	6,434,662	6,434,662	12,014,242	5,579,580
Change in net assets-budgetary basis	13,362,804	13,362,804	23,672,160	10,309,356
Ending fund balance	\$ 7,637,614	7,637,614	17,277,262	9,639,648

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
 RESTRICTED CURRENT FUNDS
 REVENUES AND EXPENDITURES
 BUDGET COMPARISONS
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues				
Tuition	\$ -	-	-	-
Miscellaneous Fees	-	-	-	-
Government appropriation - federal	22,500,000	22,500,000	-	(22,500,000)
Government appropriation - state	11,500,000	11,500,000	-	(11,500,000)
Government appropriation - local	-	-	-	-
Government grants - federal	44,650,000	44,650,000	56,825,968	12,175,968
Government grants - state	2,100,000	2,100,000	5,235,737	3,135,737
Contracts -local	-	-	-	-
Private gift/contracts	9,111,500	9,111,500	16,729,911	7,618,411
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	-	-	-	-
Other sources	112,500	112,500	2,469,281	2,356,781
Total revenues	89,974,000	89,974,000	81,260,897	(8,713,103)
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	89,974,000	89,974,000	81,260,897	(8,713,103)
Expenditures				
Instruction and general	-	-	-	-
Student social and cultural	-	-	-	-
Research	88,900,000	88,900,000	80,647,508	(8,252,492)
Public service	-	-	-	-
Internal service departments	-	-	-	-
Student aid	1,074,000	1,074,000	1,068,668	(5,332)
Auxiliary enterprises	-	-	-	-
Intercollegiate athletics	-	-	-	-
Independent operations	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
Total expenditures	89,974,000	89,974,000	81,716,176	(8,257,824)
Change in net assets-budgetary basis	\$ -	-	(455,279)	(455,279)

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
SCHEDULE OF DEPOSIT COLLATERAL
Year Ended June 30, 2008

	Pledged Collateral		First State Bank Socorro, NM	Wells Fargo Socorro, NM	Bank of America Socorro, NM	Western Bank Lordsburg, NM	Total
	Safekeeping Location	Type of Security					
Funds on deposit							
Deposits			\$ 41,296,362	1,669,002	15,997	26,636	43,007,997
FDIC insurance							
Demand deposits			100,000	100,000	15,997	26,636	242,633
Savings deposits			100,000	-	-	-	100,000
Total uninsured public funds			\$ 41,096,362	1,569,002	-	-	42,665,364
Fifty percent collateral requirement per section 6-10-17 NMSA			\$ 20,548,181	784,501	-	-	21,332,682
Pledged collateral	Federal Reserve Bank, Dallas, Texas						
		U.S. Treasury Notes CUSIP # 912810DZ8 8/15/17	1,746,740	-	-	-	1,746,740
		SCSD CUSIP # 83368PBK1	102,247	-	-	-	102,247
		U.S. Treasury Notes CUSIP #9128275N8 5/15/10	103,741	-	-	-	103,741
		U.S. Treasury Notes CUSIP #912810DX3 11/15/16	2,458,042	-	-	-	2,458,042
		U.S. Treasury Notes CUSIP #83368PBK1 8/15/08	120,894	-	-	-	120,894
		U.S. Treasury Notes CUSIP #9128276J6 8/15/10	2,112,685	-	-	-	2,112,685
		FFCB CUSIP # 31331QF77 5/7/13	1,519,571	-	-	-	1,519,571
		FFCB CUSIP # 31331H5L7 12/29/15	1,024,521	-	-	-	1,024,521
		FFCB CUSIP # 31331QYJ0 3/28/18	4,987,472	-	-	-	4,987,472
		FFCB CUSIP # 31331XSD5 3/08/17	2,256,568	-	-	-	2,256,568
		FHLB CUSIP # 3133MJUQ1 11/15/11	4,136,284	-	-	-	4,136,284

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
SCHEDULE OF DEPOSIT COLLATERAL (CONTINUED)
Year Ended June 30, 2008

Pledged Collateral		First	Wells Fargo	Bank of	Western Bank	
Safekeeping Location	Type of Security	State Bank Socorro, NM	Socorro, NM	America Albuquerque, NM	Lordsburg	Total
	FFCB CUSIP # 3133SVNO 8/4/14	\$ 4,908,409	-	-	-	4,908,409
	FHLB CUSIP # 3133MJQF0 8/15/16	2,543,059	-	-	-	2,543,059
	FNMA CUSIP # 31359MRG0 3/15/13	3,543,814	-	-	-	3,543,814
	FHLMC CUSIP #3137EAAV1	3,177,112	-	-	-	3,177,112
	SCSD CUSIP #83368PBQ8	360,458	-	-	-	360,458
	SCSD CUSIP #83368PBR6	205,199	-	-	-	205,199
	CNTY CUSIP #36565NBF6	783,742	-	-	-	783,742
	CNTY CUSIP #776461AS4	148,061	-	-	-	148,061
	FFCB CUSIP #31331XX64	4,170,883	-	-	-	4,170,883
	FHLB CUSIP #3133XLWMI	3,764,452	-	-	-	3,764,452
	CNTY CUSIP #776461AV7	241,937	-	-	-	241,937
	CUISP #31409YMC8 4/01/36	-	1,988,487	-	-	1,988,487
Total collateral		23,847,126	1,988,487	-	-	25,835,613
Excess (deficit) of pledged collateral over the required amount		\$ 3,298,945	1,203,986	-	-	4,502,931

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - EMPLOYEE BENEFIT TRUST
Year Ended June 30, 2008

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
ASSETS				
Cash	\$ 276,111	7,952,728	7,746,146	482,693
Short-term investments	2,957,426	792,638	1,381,624	2,368,440
	<u>\$ 3,233,537</u>	<u>8,745,366</u>	<u>9,127,770</u>	<u>2,851,133</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 660,957	7,122,878	7,020,972	762,863
Deposits held in custody for others	2,572,580	7,520,824	8,005,134	2,088,270
	<u>\$ 3,233,537</u>	<u>14,643,702</u>	<u>15,026,106</u>	<u>2,851,133</u>

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2008

Federal Grantor-Program Title	Funding Agency Identification Number	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenses
Major Programs			
Research and Development			
Department of defense			
U.S. Navy		12.Unknown	\$ 8,500,943
U.S. Army		12.Unknown	3,693,477
U.S. Air Force		12.Unknown	2,403,619
Department of Navy-MRO		12.Unknown	9,942,210
National Science Foundation			
Mathematical and Physical Sciences		47.049	2,644,003
Department of Energy		81.Unknown	3,625,555
Navy Eng. Logistics Office-TSWG Tunnel Const.		12.Unknown	474,591
Department of the Interior			
U.S. Geological Survey		15.Unknown	232,722
Department of Health and Human Services			
National Institute of Health		93.Unknown	507,108
National Aeronautics and Space Administration		43.Unknown	155,477
Department of Labor--Mine Safety		17.Unknown	228,682
Total research and development			<u>32,408,387</u>
Department of State - International Law Enforcement Academies	S-INLEC-01-CA-0002/5	19.Unknown	<u>4,788,187</u>
Student Financial Assistance			
Department of Education			
Pell Grant Program		84.063	882,939
Perkins Loans		84.038	359,032
Supplemental Educational Opportunity Grants (SEOG)		84.007	202,298
College Work Study Program		84.033	257,396
Guaranteed Student Loans		84.Unknown	1,660,905
Total student financial assistance			<u>3,362,570</u>
Total major programs			<u>40,559,144</u>
Nonmajor Programs			
Environmental Protection Agency - Surveys, Studies, Investigations of Safe Drinking Water Act		66.424	<u>362,372</u>
Department of Homeland Security		97.005	<u>22,371,729</u>
Department of Education		84.Unknown	<u>45,288</u>

See Notes to Schedule of Expenditures of Federal Awards

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 Year Ended June 30, 2008

Federal Grantor-Program Title	Funding Agency Identification Number	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenses
Department of the Interior			
Cave and Karst Research	Contracts # - H2360030007 & J2360307401	15.Unknown	\$ 285,065
National Park Service	Contract # - P2360064072	15.Unknown	16,993
Bureau of Land Management	Contract # - GDP052014	15.Unknown	5,000
Office of Surface Mining		15.Unknown	7,947
Fish and Wildlife Service	Contract # - 201814J862	15.Unknown	3,653
Total Department of Interior			<u>318,658</u>
Department of Agriculture - US Forest Service	Contracts # - 2003-35102-13654 & 04-CS-11031600-008 MOD 2	10.Unknown	<u>11,515</u>
Department of Commerce - NOAA	Contract # - AB133F06SE4864	11.Unknown	<u>166,240</u>
Total nonmajor programs			<u>23,275,802</u>
Total federal awards			<u>\$ 63,834,946</u>

See Notes to Schedule of Expenditures of Federal Awards

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

NOTE 2. STUDENT FINANCIAL ASSISTANCE

The Institute administers the Perkins Loan Program. Total outstanding loans under this US Department of Education program at June 30, 2008, were \$3,103,514. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2008, were \$874,672. The Schedule of Federal Expenditures of Federal Awards only includes an amount, which represents administrative costs and additional advances, including the Institute's matching requirement expended for the year ended June 30, 2008.

During the fiscal year ended June 30, 2008, the Institute processed \$1,014,475 of new loans under the Guaranteed Student Loan Program, which includes Stafford Loans, Parents' Loans for Undergraduate Students, and Supplemental Loans for Students.

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

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

We have audited the basic financial statements of the business-type activities and fiduciary fund of the New Mexico Institute of Mining and Technology (Institute), as of and for the year ended June 30, 2008. We have also audited the budget comparison schedules as of and for the year ended June 30, 2008 and have issued our report thereon dated November 12, 2008. Our report was modified to include reference to other auditors. 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. Other auditors audited the financial statements of the New Mexico Institute of Mining and Technology Foundation as described in our report on the Institute's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the Institute's internal control over financial reporting as a basis for designing our auditing procedures 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 Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant

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

deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 08-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 08-02 and 08-03.

We noted another matter that is required to be reported under *Government Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as item 07-07.

The Institute's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Institute's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Regents, management, the Institute, the State Auditor, the New Mexico Higher Education Department, the cognizant audit agency and other federal audit agencies and is not intended to be, and should not be used by anyone other than these specified parties.

Moss Adams LLP

Albuquerque, New Mexico
November 12, 2008

**Report on Compliance With
Requirements Applicable to Each Major Program
And Internal Control Over Compliance in
Accordance With OMB Circular A-133**

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

We have audited the compliance of New Mexico Institute of Mining and Technology (Institute) with the types of compliance requirements described in the *US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Institute's management. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Institute's compliance with those requirements.

In our opinion the Institute complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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

Internal Control Over Compliance

The management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Institute's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of Board of Regents, management, the Institute, the State Auditor, the New Mexico Higher Education Department, the cognizant audit agency and other federal audit agencies and is not intended to be, and should not be used by anyone other than these specified parties.

Moss Adams LLP

Albuquerque, New Mexico
November 12, 2008

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
SUMMARY OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2008

Prior Year Finding Description	Status
07-01 IT Screening Process	Resolved
07-02 Security Access	Resolved
07-03 Internal Controls Compliance Requirement D. Davis Bacon Act	Resolved
07-04 Gas Card Purchases	Resolved
07-05 Notification of Property Disposition	Resolved
07-06 Cash Collateralization	Resolved
07-07 Budget Overage	Repeated and Updated

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2008

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes None reported

Non-compliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weakness(es) Yes None reported

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

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

Identification of Major Program

CFDA Number	Name of Federal Program or Cluster
RD.Variou	Research and Development Cluster
19.Unknown	Department of State-ILEA
15.Unknown	Student Financial Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs \$ 1,915,048

Auditee qualified as low-risk auditee? Yes No

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2008**

B. FINDINGS-FINANCIAL STATEMENT AUDIT

07-07 Budget Overage

CONDITION

The Institute exceeded its approved budget for Instruction and General Unrestricted of \$32,253,363 by \$442,338.

CRITERIA

Per Title 5 of the New Mexico Administrative Code, Chapter 3, part 4, paragraph 10, total expenditures of certain budgetary totals may not exceed the amount in the approved budget.

CAUSE

The Institute was not able to obtain approval of its budget adjustment requests, including the budgeting of carryover balances, from the Higher Education Department. As a result, the Institute was not able to adjust its budget to meet increasing utility costs.

EFFECT

The Institute has not complied with budgetary compliance requirements as set out in the New Mexico Administrative Code. This may impact future funding.

RECOMMENDATION

We recommend that the Institute work more closely with the Higher Education Department to obtain approval for budget adjustment requests.

MANAGEMENT'S RESPONSE

The Institute has sufficient Instruction and General balances to cover the amount spent in excess of the budget and to have more than the required three twelfths of expenditures left over. Each year, it has been part of the budget process to adjust the budget to accommodate expenditures of their carry forward balances by the departments.

The VP for Administration and Finance and the Assoc. VP for Budget will work with the Department of Higher Education in order to avoid this problem occurring in the future.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2008

B. FINDINGS-FINANCIAL STATEMENT AUDIT (CONTINUED)

08-01 Reconciliation to Banner

CONDITION

During our testing of the Agency Fund, we noted that an Institute staff member reconciled the accounting information for the agency fund to the Institute's accounting system at year end. The reconciliation was not performed during the year.

CRITERIA

The accounting software (Banner) is the Institute's General Ledger software and should be reconciled on a monthly basis to supporting documentation in order for proper accounting and reporting.

CAUSE

There was not a dedicated accountant assigned to reconcile financial activity for the Agency Fund.

EFFECT

There is an increased risk that contributions and claims are not being accounted for accurately.

RECOMMENDATION

We recommend that the Institute reconcile the Agency Fund on a monthly basis in order to assure that GAAP is applied appropriately.

MANAGEMENT RESPONSE

Due to several factors including the conversion to Banner and a high staff turnover, the Benefit Trust fund has been reconciled at the end of the year. However, now that we have a good understanding of Banner payroll and our staff is more fully trained, this reconciliation will be done a monthly basis.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2008

C. FINDINGS—COMPONENT UNIT

08-02 Lack of Sufficient Collateral

CONDITION

The Foundation does not have sufficient collateral for two of its bank accounts at June 30, 2008. Both accounts have in excess of \$900,000 on deposit.

CRITERIA

Collateral is required under Section 6-10-17, NMSA 1978 in an amount equal to one-half of the public monies on deposit over the FDIC insurance.

CAUSE

The Foundation was unaware that the monies were considered public monies.

EFFECT

The Foundation has the risk that the banks will not return the monies on deposit.

RECOMMENDATION

We recommend that the Foundation notify the banks that the monies are public monies and request from the bank adequate pledged collateral for one-half of the monies on deposit in excess of the FDIC insurance coverage.

MANAGEMENT RESPONSE

Management of the Foundation will contact the appropriate banking institutions and request adequate collateralization level.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2008

C. FINDINGS--COMPONENT UNIT (CONTINUED)

08-03 Expenditure of Funds for Personal or Corporate Use

CONDITION

The Foundation spent funds on various drinks, sponsorships and entertainment for various individuals and organizations without receiving a corresponding benefit to the Foundation.

CRITERIA

The anti-donation clause, Article IX, Section 14, of the New Mexico Constitution requires that all expenditures of public monies by a public entity must be to acquire benefit to that agency. Under GASB 14 and GASB 3, Paragraphs 5 and 6, the Foundation qualifies as a component unit of another entity.

CAUSE

The Foundation was not aware of the GASB rules that identify the Foundation as a component unit of another entity and must comply with the public monies laws and regulations and the anti-donation clause.

EFFECT

The Foundation has expended funds for entertainment, gifts, and libations that could constitute an abuse of public funds under relevant law and the GASB rules of the Foundation as a component unit of another entity.

RECOMMENDATION

We recommend that the Foundation adopt policies and procedures for the expenditure of public monies that conform to the state laws.

MANAGEMENT RESPONSE

The Foundation will research the legal requirements and adopt policies and procedures for expenditures that are in conformity with applicable state laws.

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY
EXIT CONFERENCE
June 30, 2008

An exit conference was held on November 10, 2008, with the following in attendance:

For the New Mexico Institute of Mining and Technology:

Lonnie G. Marquez	Vice President for Administration and Finance
Jerry A. Armijo	Regent Secretary/Treasurer
Leyla A. Sedillo	Associate Vice President for Budget and Finance
Arleen Valles	Director of Finance
Anna McLain	Director of Sponsored Projects
Erik County	Financial Database Administrator
Camille Gurule	Accounting Manager
Alex K. Thyssen	Director of Internal Audit, representative of NM Tech Research Foundation

For Moss Adams LLP:

Larry Carmony	Partner
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The financial statements were prepared with the assistance of Moss Adams LLP.