



**NEW MEXICO TECH**  
SCIENCE • ENGINEERING • RESEARCH UNIVERSITY

**AUDIT REPORT 2010**  
*Year ending June 30, 2010*

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**New Mexico Institute of Mining and Technology**

**Official Roster**

**June 30, 2010**

**Board of Regents**

Ex Officio Members:

The Honorable Bill Richardson	Governor of the State of New Mexico
Dr. Viola Florez	Cabinet Secretary, Higher Education

Appointed Members:

Ann Murphy Daily	President
Jerry A. Armijo	Secretary/Treasurer
Abe Silver, Jr.	Member
Richard N. Carpenter	Member
William Villanueva	Member

**Principal Administrative Officials**

Daniel H. López	President
Lonnie G. Marquez	Vice President for Administration and Finance
Peter F. Gerity	Vice President for Academic Affairs
Ricardo T. Maestas	Vice President for Student and University Relations
Van D. Romero	Vice President for Research and Economic Development
Peter A. Scholle	Director, New Mexico Bureau of Geology and Mineral Resources
Robert L. Lee	Director, New Mexico Petroleum Recovery Research Center
John L. Meason	Director, Energetic Materials Research and Testing Center
Arleen Valles	Director of Finance
Anna McLain	Director of Sponsored Projects
Leyla A. Sedillo	Associate Vice President for Budget and Analysis
Alex K. Thyssen	Internal Auditor

## Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities, each discretely presented component unit and the fiduciary fund of the New Mexico Institute of Mining and Technology (Institute) as of and for the year ended June 30, 2010, as listed in the table of contents. We have also audited the budget comparison presented as supplementary information for the year ended June 30, 2010, as listed in the 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 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 also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 the changes in financial position, where applicable, cash flows, 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  
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New Mexico State Auditor

fairly the financial position of the State of New Mexico as of June 30, 2010, and the changes in its financial position its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities, each discretely presented component unit and the fiduciary fund of the Institute as of June 30, 2010, 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 budget comparisons referred to above present fairly, in all material respects the budget comparison for the year ended June 30, 2010 in conformity with 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 10, 2010, 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 14, 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  
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Socorro, New Mexico  
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. 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 Agency Fund-Employee Benefit Trust 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 Agency Fund-Employee Benefit Trust 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 10, 2010

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2010**

The New Mexico Institute of Mining and Technology (New Mexico Tech) Management’s Discussion and Analysis of annual financial statements provide an overview of New Mexico Tech’s financial activities for the fiscal year ending June 30, 2010. Also included is a 2009 financial summary for comparison purposes. This annual report is the eighth year the financial statements are presented in the Governmental Accounting Standard Board Statements (GASB) 34 and 35 reporting format. New Mexico Tech, as do all of New Mexico colleges and universities, uses the Business Type Activity (BTA) format to report the financial statements.

The purpose of the 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 New Mexico Tech. The MDA is a written discussion of the primary financial statements included in the annual report. It also provides the reader with a discussion of the major activities that occurred during the year and the effect of the activities to New Mexico Tech.

A brief summary is provided for the following financial reports:

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

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

**Statement of Net Assets (SNA)**

The Statement of Net Assets is a report of the financial and capital resources managed by New Mexico Tech. The SNA is a summary of New Mexico Tech’s assets and liabilities, and, it is a “snapshot” of New Mexico Tech at the close of business at the date of the statement—in this case June 30, 2010.



**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2010**

The statement format used by New Mexico Tech 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 and Technology  
Comparative Statement of Net Assets (in thousands)  
For the two years ending June 30, 2010

	Balance 30-Jun-09	Balance 30-Jun-10	% Change
<b>Current Assets</b>			
Cash & Cash Equivalents	\$ 33,114	39,744	20.0%
Short Term Investments	17,027	16,950	-0.5%
Receivables, Net	9,360	10,882	16.3%
Inventories	1,396	1,318	-5.6%
Other Assets	2,245	2,260	0.7%
	<u>63,142</u>	<u>71,154</u>	12.7%
<b>Non-Current Assets</b>			
Restricted Cash & Cash Equivalents	11,200	6,452	-42.4%
Endowment Investments	23,102	25,800	11.7%
Other Long Term Investments	26,130	29,762	13.9%
Capital Assets, net	136,615	134,945	-1.2%
	<u>197,047</u>	<u>196,959</u>	0.0%
<b>Total Assets</b>	<u>\$ 260,189</u>	<u>268,113</u>	3.0%
<b>Current Liabilities</b>			
Total Current Liabilities	\$ 26,044	20,355	-21.8%
	<u>26,044</u>	<u>20,355</u>	-21.8%
<b>Non-Current Liabilities</b>			
Non Current Liabilities	10,932	14,812	35.5%
	<u>10,932</u>	<u>14,812</u>	
<b>Total Liability</b>	<u>36,976</u>	<u>35,167</u>	-4.9%
<b>Net Assets - Capital</b>			
Capital Assets, Net	136,615	134,945	-1.2%
Restricted Net Assets	68,883	76,869	11.6%
Unrestricted Net Assets	17,715	21,132	19.3%
	<u>223,213</u>	<u>232,946</u>	4.4%
	<u>\$ 260,189</u>	<u>268,113</u>	3.0%

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2010**

Total assets increased \$7.9 million or 3%. Several categories in the asset classification had significant changes during the fiscal year.

- Short Term Investments had no significant change.
- Net Receivables increased by \$1.5 million mainly in Grant Receivables.
- Total Current Assets increased \$8 million mainly because of the increase in unrestricted cash and receivables.
- Restricted Cash decreased \$4.7 million because prepaid Magdalena Research Observatory (MRO) fund for construction have been expended.
- Total Liabilities decreased \$1.8 million. The decrease is due mainly in the decrease of deferred revenue.

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 decrease is \$1.7 million. Included in the net capital assets is the depreciation expense. See footnote number 3 for more detail.
- 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 \$8 million. The increase recognized the increase of the market value of the investments in the endowment and plant fund.
- Unrestricted net assets: This category reports the assets available to New Mexico Tech for any lawful purpose. These funds increased \$3.4 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 New Mexico Tech share of the New Mexico Land Grant Permanent Fund.

**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 New Mexico Tech's economic activity for the twelve-month period or fiscal year ending June 30, 2010. The SRECNA reports the revenues and expenses for one-year's activity, unlike the SNA which is a snapshot of New Mexico Tech as of the date of the statement. Operating and non-operating revenues and expenditures are reported in this statement.

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2010**

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

- Total operating revenue increased \$5.3 million.
- Net tuition revenue increased \$543 thousand.
- Grants and contracts revenue increased \$3.3 million.
- All other operating income decreased \$673 thousand.

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

- Total operating expenses decreased \$3.1 million. However, included in this year's operating expenses is plant fund expense and the current compensated absences expense. This is a change in financial reporting procedures for the two categories to reflect compliance with the GASB reporting requirements.
- Research and other sponsored expenditures decreased \$3.6 million.
- The net operating loss for this fiscal year is \$46.3 million compared to last year's net operating loss of \$54.6 million. The GASB required reporting format is mandated to not include state support as operating revenue. New Mexico Tech and all state universities will report an operating loss from operations.
- Non-operating revenues are funds or commitments received in support of the institute, but do not provide for the operation of the institute, such as interest income, gifts and endowments. The one major exception for public colleges and universities is state appropriations. GASB 34/35 requires state appropriations to be included as non-operating revenues, even though those revenues are in direct support of the educational mission of the institute. Instruction and general expenses are reported as operating expenses, therefore, because of 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.

The non-operating revenues increased \$9.2 million compared to last year. The increase includes an increase in investment income in fiscal year 2010 of \$2.2 million in comparison to the decrease in investment income in fiscal year 2009 of \$4.3 million, and an increase to permanent endowments of \$5.3 million. The increase is partially offset by the decrease in state appropriation of \$1.4 million due to continued cuts in the state budget.

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**Year Ended June 30, 2010**

Comparative Statement of Revenues, Expenses and Changes in Net Assets (in thousands)  
for the two years ending June 30, 2010:

	Balance 6/30/2009	Balance 6/30/2010	Increase (Decrease)	% Change
<b>Operating Revenues</b>				
Tuition and fees	\$ 8,771	9,322	551	6.3%
Less discount scholarship allowance	(2,699)	(2,707)	(8)	0.3%
Grants and contracts	87,129	90,452	3,323	3.8%
State L & P	1,282	3,375	2,093	163.3%
Sales and services of auxiliaries	4,887	5,055	168	3.4%
Less discount scholarship allowance	(965)	(991)	(26)	2.7%
Other	9,238	8,439	(799)	-8.6%
	<u>107,643</u>	<u>112,945</u>	<u>5,302</u>	<u>4.9%</u>
<b>Operating Expense</b>				
Instruction	15,554	15,610	56	0.4%
Academic support	1,694	1,552	(142)	-8.4%
Student services	2,151	1,937	(214)	-9.9%
Institutional support	6,179	6,159	(20)	-0.3%
O & M	6,073	6,126	53	0.9%
Research	91,837	88,276	(3,561)	-3.9%
Public service	2,964	2,291	(673)	-22.7%
Student aid	6,587	6,573	(14)	-0.2%
Auxiliaries	4,610	4,770	160	3.5%
Expense related to tuition discounts	(3,664)	(3,698)	(34)	0.9%
Compensated absences	3,484	3,260	(224)	-6.4%
Depreciation	7,294	12,072	4,778	65.5%
Independent operations	4,416	4,498	82	1.9%
Plant funds	8,995	1,985	(7,010)	-77.9%
Other	4,078	7,784	3,706	90.9%
	<u>162,252</u>	<u>158,801</u>	<u>(3,057)</u>	<u>-1.9%</u>
Operating loss	<u>(54,609)</u>	<u>(45,858)</u>	<u>8,359</u>	<u>-15.3%</u>

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2010**

	Balance 6/30/2009	Balance 6/30/2010	Increase (Decrease)	% Change
Non-Operating Revenues				
State appropriations	\$ 42,178	40,784	(1,394)	-3.3%
Gifts	1,307	901	(406)	-31.1%
Interest and investment income	(4,272)	2,209	6,481	-151.7%
Other	967	4,813	3,846	397.7%
Capital appropriations	9,879	5,253	(4,626)	-46.8%
Additions to permanent endowment	(1,576)	3,739	5,315	-337.2%
	<u>48,483</u>	<u>57,699</u>	<u>9,216</u>	<u>19.0%</u>
Total operating revenues	107,643	112,943	5,300	4.9%
Total non-operating and other revenue	<u>48,483</u>	<u>57,699</u>	<u>9,216</u>	<u>19.0%</u>
Total revenues	<u>156,126</u>	<u>170,642</u>	<u>14,516</u>	<u>9.3%</u>
Total operating expense	<u>\$ 162,252</u>	<u>159,195</u>	<u>(3,057)</u>	<u>-1.9%</u>

**Statement of Cash Flows**

The Statement of Cash Flows is a summary of the sources and uses of funds received by New Mexico Tech. The statement is presented in 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.

Note: The New Mexico Institute of Mining and Technology Foundation statements are included as a component unit, but its operations are not managed or controlled by New Mexico Tech.

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2010**

**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 current restricted funds. This report is required format 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. Four budget adjustment requests (BAR) were filed and approved by the Department of Higher Education during the year

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

A reconciliation of the budget to actual revenues and expenditures is added in order to ensure that the budgeted and actual numbers agree with the financial statements.

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

**Capital Asset and Debt Administration**

The replacement of the New Mexico Tech aged and dilapidated hot and chilled water system started in February 2010. The construction is approximately 50% to 60% completed at the date of this report. The construction has progressed with minimal disruption to the campus. Major connections to the building will start December of 2010. The construction is expected to be completed by the Spring 2011.

The New Mexico Legislature 2010 session approve a General Obligation bond for \$12 million dollars for a new Bureau of Geology Building on the New Mexico Tech campus. The total project is estimated to cost \$24 million. This first round of funding will allow the construction of phase one. The building will be located on Bullock Avenue next to the MSEC Building. Architectural designs have been created. The bond failed in the November 2010 election and construction will not begin until other funds are identified.

Renovation of Jones Hall, Kelly Hall and the Civil Engineering lab have are all completed.

The Fall 2010 freshman class was the largest ever at New Mexico Tech, over 400 students. There is a great need for additional and new dormitory space. The construction of a new dormitory is in the early planning stages. The estimated cost will be approximately \$12 million. The new dorm will be built in two phases; first phase will be

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2010**

located on the current day care site, the second phase will include the demolition of Baca Hall and construction of the second dorm building. A total of 150 beds will be in the new dorm, which will be a net gain of 90 beds after Baca Hall is demolished.

State funds cannot be used to construct an auxiliary facility. Therefore, the new dorm will be funding with a revenue bond, which will be repaid with auxiliary revenue and student fees. Bond counsel has been contacted, and they are the process of developing a bond rating for New Mexico Tech. Currently, New Mexico Tech has no outstanding long term debt or bonds outstanding.

**Currently Known Facts**

***Enrollment***

Enrollment at New Mexico Tech continues to remain relatively unchanging for the last four school years. Student credit hours by fiscal year are as follows:

- FY 07 student credit hours 44,419;
- FY 08 student credit hours 44,985;
- FY 09 student credit hours 44,822;
- FY 10 student credit hours 44,755.

Total enrollment credit hour has not increase beyond the 3% threshold of the base year, FY 2008. However, the upper division and the graduate credit hours continue to increase compared to the lower division credit hours. The dollar value of an upper division hour is more expensive than a lower division courses. Because the upper division credit enrollment has increased, New Mexico Tech is eligible for additional Instruction and General formula funding because the funding formula allows a funding increase if the total dollar value of all the credit hours increase by 3%. Even though the 2010 budget was eligible for additional funding to support the educational mission of New Mexico Tech, it failed to materialize because total state revenues were much lower than budgeted. The effect has reduced the budget for all of higher education.

***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 New Mexico Higher Education Department, along with representatives of the universities and two year schools, continue reviewing the funding formula and its financial impact on higher education in state. The huge increase in enrollment at all four and two year institutions increased the current formula funding by \$23 million for FY 2012. However, because of the reduced state revenue, additional budget cut are expected. 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.

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2010**

In addition to the budget reductions, inflationary factors, such as health insurance, utilities and risk management insurance the operating costs continue to increase. The NMT Employee Benefit Trust will increase health insurance premiums by 20% in January 2011. This increases the cost to the institute by over \$700 thousand. This increase the I&G budget by approximately \$365 thousand. Utility cost increases have already been announced by the City of Socorro and the Socorro Electric Coop. Funding for the "cost of opening the doors" expenses continue to be a top priority.

For fiscal year 2011, all of state governments' budgets were cut 3.2%. This was a \$1.2 million cut to New Mexico Tech, including an \$878 thousand cut to the Instruction and General budget. Since 2008 the I&G state funding at New Mexico Tech has decreased \$2.4 million. This includes budget cuts of 2.5% in 2009, 4.5% and 6.5% in 2010 and 3.2% in 2011. Additional budget cuts are being anticipated for 2011. If the state revenue forecasts do not increase, cuts are expected for FY 2012.

The goal during the budget cuts has been to avoid employee layoff or furloughs. So far we have been successful. A work force reduction has been accomplished by attrition. From FY 2008 to FY 2010 the total number of regular employees has been reduced from 866 to 808. The faculty has reduced their staff from 201 to 172.

Research has remained strong and is not affected by the state budget. The number of employees in those fields has remained constant.

**Research**

Research 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.

NMIMT's Incurred Cost Audit report indicates that externally funded research activity has grown during the current and past 3 fiscal years. As indicated below:

FY10 \$88,229,977

FY09 \$86,804,777

FY08 \$82,535,579

FY07 \$83,599,197

Research at New Mexico Tech continues to have an excellent year. Research expenditures slightly decreased to \$88.2 million compared to \$91.3 million in 2009. Research revenue is 80.0% of total operating revenues and 55.5% of total operating expenses.



**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2010**

The leading research center continues to be EMRTC. Under the EMRTC umbrella the following center are; Playas Training Center, Institute for Complex System Analysis (ICASA) and Engineering Research and Application (IERA). As the EMRTC departments expand their sphere of influence they continue to procure long term contracts that help stabilize their programs.

Playas Training Center training activity has increased the past year. The value and term of the programs at the center bode well for its future. The opportunities and uses of the center are still waiting to be discovered as the program mature and the value of other research and training opportunities are explored.

Additionally, the Bureau of Geology and the Petroleum Research and Recovery Center are operating within their financial restraints despite their state funding as Research and Public Service Projects receiving the deepest budget cuts for the fiscal year 2010. The budgets are being closely monitored by their staff.

The Magdalena Ridge Observatory interferometer is still under construction, but completion is expected to be on schedule. The single telescope is operational. It has participated in many astronomical projects.

IRIS/PASSCAL Center federal funding is very stable. It is a world renowned program internationally recognized for its resources and research programs.

**Economic Outlook**

The economic outlook for New Mexico Tech over the next three to four years continues to be closely monitored by the Administration. Actions were taken early to announce and reduce budgets so serious state budgeted revenue shortfall came as no surprise. Revenue forecast for the State of New Mexico required New Mexico Tech to reduce the 2010 budgets by up to 4.0% for the I&G budget and 6.5% for the special projects. This is after we reduced our 2009 state budgets by 2.5%. The 2011 budget has been reduces by 3.2%. Further budget cut are anticipated for FY 2011 at the January 2011 legislative session. New Mexico Tech is closely monitoring the expenditure they can control, including freezing all new hires to the I&G budget also cuts to, travel and supplies. Any unnecessary expenses are being eliminated. The New Mexico Tech staff has been very cooperative to comply with the budget cuts. The reductions in funds have required everyone to pickup additional duties to deliver the educational mission.

The research and public services programs are aggressively seeking new funding. Because of New Mexico Tech'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 New Mexico Tech, the local

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
Year Ended June 30, 2010**

community and the state. However, the state is aggressively reviewing all research and public service program to reduce the state funding they receive.

The longevity and the success of the established programs at New Mexico Tech have help solidify their funding, however their budget will be reduced by the state. Recognizing the possibility of the turnover several years ago, the federal funding requests 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.

The New Mexico Tech 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. New Mexico Tech did reach its goal of being recognized as a Hispanic Serving Institution. Hispanic enrollment at New Mexico Tech has reached the threshold of 25%. By qualifying as a Hispanic serving institution more research and grant, plus other funding opportunities' are available to New Mexico Tech.

**Capital Projects**

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.

The number one capital funding request from the 2010 New Mexico State Legislature is the construction of a new Geology Building to house the Bureau of Geology. The estimated cost first phase of the new building is estimated to be \$24.2 million for a 65,000 square foot building to be located west of the Library on Bullock Street. The Higher Education Department has supported the new building with funding of \$15 million for inclusion in the 2011 General Obligation Bond. However, the bond failed to pass the 2010 General Election. Other funding sources will be explored at the 2011 legislative session.

**Requests for Information**

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

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2010**

ASSETS	Institute	Component Units	
		Research Park	Foundation
<b>Current Assets</b>			
Cash and cash equivalents	\$ 39,744,216	39,972	356,371
Short-term investments	16,949,938	-	14,904,321
Contract and grant receivables	9,567,660	-	-
Student accounts receivable, net of allowance for doubtful receivables of \$448,454	189,126	-	-
Other accounts receivable	1,124,892	-	145,017
Inventories	1,318,216	-	-
Other assets	2,260,348	-	126,519
<b>Total current assets</b>	<b>71,154,396</b>	<b>39,972</b>	<b>15,532,228</b>
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents	6,452,147	-	-
Endowment investments	25,799,731	-	-
Other long-term investments	29,761,830	-	1,478,409
Capital assets, net of accumulated depreciation	134,945,111	-	1,706,423
<b>Total noncurrent assets</b>	<b>196,958,819</b>	<b>-</b>	<b>3,184,832</b>
<b>Total assets</b>	<b>\$ 268,113,215</b>	<b>39,972</b>	<b>18,717,060</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued payroll	\$ 8,013,901	-	9,193
Accrued compensated absences	3,259,610	-	-
Due to primary government	-	39,078	725,000
Other liabilities	-	-	672,745
Deferred revenue	9,081,812	-	-
<b>Total current liabilities</b>	<b>20,355,323</b>	<b>39,078</b>	<b>1,406,938</b>
<b>Noncurrent Liabilities</b>			
Deposits	166,849	-	-
Accrued compensated absences	9,645,355	-	-
Other noncurrent liabilities	5,000,000	-	-
<b>Total noncurrent liabilities</b>	<b>14,812,204</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>35,167,527</b>	<b>39,078</b>	<b>1,406,938</b>
<b>NET ASSETS</b>			
Invested in capital assets	134,945,111	-	1,706,423
Restricted for			
Non expendable	4,207,363	-	1,669,351
Expendable			
Scholarships, research, instruction, and other	41,414,465	-	-
Loans	1,623,121	-	-
Capital projects	29,044,920	-	-
Debt service	578,796	-	-
Unrestricted	21,131,912	894	13,934,348
<b>Total net assets</b>	<b>232,945,688</b>	<b>894</b>	<b>17,310,122</b>
<b>Total net assets and liabilities</b>	<b>\$ 268,113,215</b>	<b>39,972</b>	<b>18,717,060</b>

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, 2010**

	Institute	Component Units	
		Research Park	Foundation
Operating revenues			
Tuition and fees	\$ 9,322,488	-	-
Tuition discounts and allowances	(2,707,071)	-	-
Federal grants and contracts	66,567,692	-	-
State and local grants and contracts	6,581,724	-	-
Private grants and contracts	14,240,689	-	-
Other grants and contracts	3,061,631	-	-
State land and permanent fund income	3,374,793	-	-
Sales and services of auxiliary enterprises	5,054,685	-	-
Auxiliaries scholarship allowances	(991,468)	-	-
Other	8,438,677	60,489	92,899
<b>Total operating revenues</b>	<b>112,943,840</b>	<b>60,489</b>	<b>92,899</b>
Expenses			
Instruction and general			
Instruction	15,610,018	-	-
Academic support	1,552,035	-	-
Student services	1,936,895	-	-
Institutional support	6,159,402	-	-
Operations and maintenance support	6,126,364	-	-
Research	36,038,196	-	-
Other sponsored activities	52,237,742	-	-
Public service	2,290,580	-	-
Student aid grants and stipends	6,572,542	-	-
Auxiliary enterprises	4,770,389	-	-
Expense related to tuition discounts and allowances	(3,698,539)	-	-
Independent operations	4,498,224	-	-
Other expenditures	7,390,298	49,936	4,006,235
Plant funds	1,985,357	-	-
Compensated absences	3,259,610	-	-
Depreciation and amortization	12,072,423	-	594,721
<b>Total operating expenses</b>	<b>158,801,536</b>	<b>49,936</b>	<b>4,600,956</b>
Operating (loss) income	(45,857,696)	10,553	(4,508,057)

*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, 2010**

	Institute	Component Units	
		Research Park	Foundation
Non operating revenues			
State appropriations	\$ 40,784,203	-	-
Gifts	901,097	-	-
Interest and investment income	100,329	-	1,349,837
<b>Net nonoperating revenues</b>	<u>41,785,629</u>	<u>-</u>	<u>1,349,837</u>
<b>(Loss) income before other revenues and expenses</b>	<u>(4,072,067)</u>	<u>10,553</u>	<u>(3,158,220)</u>
Other revenues			
Capital appropriations	5,252,893	-	-
Other	4,812,881	-	626,514
Additions to permanent endowments	3,738,754	-	-
<b>Net other revenues</b>	<u>13,804,528</u>	<u>-</u>	<u>626,514</u>
<b>Net increase in net assets</b>	9,732,461	10,553	(2,531,706)
Net assets (deficit), beginning of year	<u>223,213,227</u>	<u>(9,659)</u>	<u>19,841,828</u>
<b>Net assets, end of year</b>	<u>\$ 232,945,688</u>	<u>894</u>	<u>17,310,122</u>

*See Notes to Financial Statements.*

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2010**

	Institute	Component Units	
		Research Park	Foundation
<b>Cash Flows From Operating Activities</b>			
Tuition and fees	\$ 6,707,619	-	-
Grants and contracts	82,992,276	-	-
Sales and services of educational activities	5,054,685	-	-
Other operating receipts	10,556,530	-	145,620
Payments to employees for salaries and benefits	(69,111,097)	-	-
Payments to suppliers	(73,251,891)	(13,393)	(830,008)
Other payments	-	23,946	(286,005)
<b>Net cash (used) provided by operating activities</b>	<b>(37,051,878)</b>	<b>10,553</b>	<b>(970,393)</b>
<b>Cash Flows From Noncapital Financing Activities</b>			
State appropriations	40,784,203	-	-
Gifts for other than capital purposes	901,097	-	-
Other non operating revenue	4,812,881	-	-
Unrealized gain on Land Grant Permanent Fund	3,738,754	-	-
<b>Net cash provided by noncapital financing activities</b>	<b>50,236,935</b>	<b>-</b>	<b>-</b>
<b>Cash Flows From Investment Activities</b>			
Purchases of investments	(6,253,529)	-	(531,183)
Proceeds from sales of investments	-	-	553,139
Cash received from note receivable	-	-	138,059
Interest received on investments	100,329	-	-
<b>Net cash (used) provided by investing activities</b>	<b>(6,153,200)</b>	<b>-</b>	<b>160,015</b>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Cash paid for capital assets	(10,402,401)	-	(22,347)
Capital appropriations received	5,252,893	-	-
<b>Net cash used by capital and related financing activities</b>	<b>(5,149,508)</b>	<b>-</b>	<b>(22,347)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,882,349</b>	<b>10,553</b>	<b>(832,725)</b>
Cash and cash equivalents, beginning of year	44,314,014	29,419	1,189,096
<b>Cash and cash equivalents, end of year</b>	<b>\$ 46,196,363</b>	<b>39,972</b>	<b>356,371</b>
<b>Cash and cash equivalents</b>			
Unrestricted	\$ 39,744,216	39,972	356,371
Restricted	6,452,147	-	-
<b>Total</b>	<b>\$ 46,196,363</b>	<b>39,972</b>	<b>356,371</b>

*See Notes to Financial Statements.*

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**Year Ended June 30, 2010**

	Institute	Component Units	
		Research Park	Foundation
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>			
Operating (loss) income	\$ (45,857,696)	10,553	(4,508,057)
Adjustments to reconcile operating (loss) income to net cash used by operating activities			
Depreciation and amortization expense	12,072,422	-	594,721
Patent impairment	-	-	2,930,295
Changes in assets and liabilities			
Student accounts receivable	10,954	-	-
Inventories	78,265	-	-
Other assets	(15,212)	-	32,067
Contract and grant receivables	(1,267,132)	-	-
Other receivables	(265,472)	-	-
Accounts payable and accrued expenses	728,650	-	5,483
Due to primary government	-	-	(24,902)
Deferred revenue	(6,192,328)	-	-
Student and other deposits	96,460	-	-
Compensated absences	(224,715)	-	-
Other payables	3,783,926	-	-
<b>Net cash used by operating activities</b>	<b>\$ (37,051,878)</b>	<b>10,553</b>	<b>(970,393)</b>

*See Notes to Financial Statements.*

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS**  
**Year Ended June 30, 2010**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 690,789
Due from NMIMT	19,652
Short-term investments	<u>1,724,579</u>
<b>Total assets</b>	<u><u>\$ 2,435,020</u></u>
<b>LIABILITIES</b>	
Other accrued liabilities	\$ 156,709
Liabilities for claims expense	795,434
Deposits held in custody for others	<u>1,482,877</u>
<b>Total liabilities</b>	<u><u>\$ 2,435,020</u></u>

*See Notes to Financial Statements.*



**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**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 and New Mexico Tech University Research Park are included in these financial statements as a discretely presented component units.

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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

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

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

The inclusion of the assets and income of the 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.

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

*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.

*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.* 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,

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

renewals and replacements, and debt service. The Institute has no restricted instruction and general budget. 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.

The Institute received a special appropriation for MESA in the amount of \$140,200 for fiscal year 2010. This amount is included in the final budget and was expended during the year with no outstanding encumbrances remaining at year end.

*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.

*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 Institute 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, 2010 were \$2,359,023. Endowment income made available for distribution for the established purpose was \$816,088. 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.

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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

*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.

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

*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.

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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	30 years
Building	30 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 240 hours for employees with 10 years of service and 336 hours thereafter is recorded at 100% of the employee's hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA). Employees exempt from coverage by FLSA earn one hour of compensatory time for each overtime hour.

*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 2010, are shown as deferred income in the accompanying financial statements since the session was not completed at June 30, 2010. Deferred revenues also include amounts received from grant and contract sponsors that have not been earned.

*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. The Institute does not have any debt on June 30, 2010.

*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.

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

*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.

*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.

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**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, 2010, the Institute's custodial credit risk was as follows:

Bank balance insured or collateralized In the Institute's name	<u>\$ 49,802,566</u>
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*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.



**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

A detail of the cash accounts at June 30, 2010 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	IERA Cash on Deposit	Checking	\$ 4,961	-	4,961
First State Bank	Comptroller Cash on Deposit	Checking	41,852,352	(1,112,374)	40,739,978
First State Bank	Payroll Cash on Deposit	Checking	96,005	(1,144,232)	(1,048,227)
First State Bank	NMEAF Cash on Deposit	Checking	27,715	2,592	30,307
First State Bank	Stafford Loan Cash on Deposit	Checking	16,802	-	16,802
First State Bank	MRO Cash on Deposit	Checking	6,174,086	247,754	6,421,840
Wells Fargo	Vendor Cash on Deposit	Checking	729,628	(738,470)	(8,842)
Western Bank	Playas Cash on Deposit	Checking	9,007	5,894	14,901
			<u>48,910,556</u>	<u>(2,738,836)</u>	<u>46,171,720</u>
	Petty Cash	Cash	-	-	24,643
			<u>\$48,910,556</u>	<u>(2,738,836)</u>	<u>46,196,363</u>

**Agency Fund**

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciled Items	Reconciled Balance
Wells Fargo	Employee Ben. Trust Oper.	Checking	\$ 811,043	(121,339)	689,704
Wells Fargo	Employee Ben. Trust Claims	Checking	80,967	(79,882)	1,085
			<u>\$ 892,010</u>	<u>(201,221)</u>	<u>690,789</u>

Investments of the Institute consist of the following at June 30, 2010:

Description	Market Value
Short-term	\$ 16,949,938
Endowment	25,799,731
Other long-term	<u>29,761,830</u>
	72,511,499
Agency fund	<u>1,724,579</u>
Total	<u>\$ 74,236,078</u>

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

	Balance per Bank Statement	Reconciled Balance per Books
Investment accounts		
Citigroup		
Langmuir endowment		
Money Market funds	\$ 26,466	26,466
Mutual funds	750,901	750,901
Certificates of Deposit	85,000	85,000
Stocks	1,078,687	1,078,687
NMT Capital Campaign		
Money Market funds	214,348	214,348
Mutual funds	447	447
Stocks	260,405	260,405
State Investment Council Pooled Fund	34,800,703	34,800,703
State Investment Council Pooled Fund-Agency Fund	1,157,247	1,157,247
State Treasurer – LGIP	16,949,938	16,949,938
State Treasurer-LGIP-Agency Fund	567,333	567,333
State Investment Council Permanent Fund	18,344,603	18,344,603
	<u>\$ 74,236,078</u>	<u>74,236,078</u>

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

A summary of the Institute's investments at June 30, 2010 and its 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	\$ -	-	-	240,814
Certificate of Deposit	-	-	-	85,000
Mutual Funds	-	-	-	751,348
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>1,077,162</u>
Investments not subject to categorization				
State Investment Council pooled funds				
Fixed income securities				\$ 26,548,526
Equity securities				<u>9,409,424</u>
				35,957,950
State Treasurer				17,517,271
State Investment Council – Permanent Fund				18,344,603
Common stocks				<u>1,339,092</u>
				<u>73,158,916</u>
<b>Total investments</b>				<u>\$ 74,236,078</u>

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

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**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, 2010 and their exposure to credit risk are as follows:

Investments	WAM Years	Rating	Fair Value
Money funds	-	Not rated	\$ 240,814
Certificate of deposit	-	Not rated	85,000
Mutual Funds	-	Not rated	751,348
State Treasurer – LGIP	.07	AAAm	17,517,271
Investments not subject to categorization			
State Investment Council pooled funds (not rated)			35,957,950
State Investment Council – Permanent Fund (not rated)			18,344,603
Common stocks			<u>1,339,092</u>
<b>Total Investments</b>			<u>\$ 74,236,078</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.

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

A summary of the investments and their respective maturities at June 30, 2010 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	\$ 240,814	-	-	-	240,814
Certificate of deposit	85,000	-	-	-	85,000
Mutual funds	751,348	-	-	-	751,348
Items subject to interest rate risk	\$ 1,077,162	-	-	-	1,077,162
State Treasurer – 24 day weighted average maturity				\$ 17,517,271	
Investments not subject to categorization					
State Investment Council pooled funds (not rated)				35,957,950	
State Investment Council – Land Grant Permanent Fund (not rated)				18,344,603	
Common stocks				1,339,092	
<b>Total investments</b>				<b>\$ 74,236,078</b>	

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 3. CAPITAL ASSETS**

Following are the changes in capital assets for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Transfers	Retirements	Balance June 30, 2010
Capital assets not being depreciated					
Land	\$ 4,334,220	-	-	-	4,334,220
Construction in-progress	10,329,209	6,032,936	(8,553,670)	(121,061)	7,687,414
<b>Total capital assets not being depreciated</b>	<b>\$ 14,663,429</b>	<b>6,032,936</b>	<b>(8,553,670)</b>	<b>(121,061)</b>	<b>12,021,634</b>
Other capital assets					
Non-major infrastructure networks	\$ 19,484,826	-	1,589,616	-	21,074,442
Land improvements	4,062,865	-	641,641	-	4,704,506
Buildings	137,015,361	-	6,322,413	(291,933)	143,045,841
Furniture, fixtures and equipment	49,446,604	4,137,764	-	(488,756)	53,095,612
Software	1,639,130	-	-	-	1,639,130
Library materials	13,493,390	761,826	-	(134,315)	14,120,901
<b>Total other capital assets</b>	<b>225,142,176</b>	<b>4,899,590</b>	<b>8,553,670</b>	<b>(915,004)</b>	<b>237,680,432</b>
Accumulated depreciation for					
Non-major infrastructure networks	(7,441,541)	(697,959)	-	-	(8,139,500)
Land improvements	(2,019,452)	(156,817)	-	-	(2,176,269)
Buildings	(51,228,082)	(4,037,124)	-	-	(55,265,206)
Furniture, fixtures and equipment	(33,447,179)	(6,540,206)	-	506,129	(39,481,256)
Software	-	(54,638)	-	-	(54,638)
Library materials	(9,054,407)	(585,679)	-	-	(9,640,086)
<b>Total accumulated depreciation</b>	<b>(103,190,661)</b>	<b>(12,072,423)</b>	<b>-</b>	<b>506,129</b>	<b>(114,756,955)</b>
Other capital assets, net	<b>\$ 121,951,515</b>	<b>(7,172,833)</b>	<b>8,553,670</b>	<b>(408,875)</b>	<b>122,923,477</b>
Capital assets summary					
Capital assets not being depreciated	\$ 14,663,429	6,032,936	(8,553,670)	(121,061)	12,021,634
Other capital assets, at cost	225,142,176	4,899,590	8,553,670	(915,004)	237,680,432
<b>Total cost of capital assets</b>	<b>239,805,605</b>	<b>10,932,526</b>	<b>-</b>	<b>(1,036,065)</b>	<b>249,702,066</b>
Accumulated depreciation	(103,190,661)	(12,072,423)	-	506,129	(114,756,955)
<b>Capital assets, net</b>	<b>\$ 136,614,944</b>	<b>(1,139,897)</b>	<b>-</b>	<b>(529,936)</b>	<b>134,945,111</b>

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 4. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Increases	Decreases	<b>Balance June 30, 2010</b>	Current Portion (Due in 2011)
Non-current liabilities					
Accrued compensated absences	\$ 10,345,754	6,043,536	(3,484,325)	<b>12,904,965</b>	3,259,610
Environmental cleanup	4,000,000	1,000,000	-	<b>5,000,000</b>	-
Deposits	-	166,849	-	<b>166,849</b>	-
Total non-current liabilities	<u>\$ 14,345,754</u>	<u>7,210,385</u>	<u>(3,484,325)</u>	<u><b>18,071,814</b></u>	<u>3,259,610</u>

*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 \$4,047,847 and employees contributed \$3,897,168 to the Trust during the year ended June 30, 2010. At June 30, 2010, the Institute's maximum annual liability exposure under the Trust is \$130,000 per individual and \$2,000,000 in the aggregate.

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 5. EMPLOYEE BENEFITS (CONTINUED)**

As of June 30, 2010, 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	\$ 734,233	
Incurred claims and claims adjustment expenses		7,090,298
Payments, net of recoveries	<u>(7,029,097)</u>	
Liability for claims and claims adjustment expenses at end of the year	<u>\$ 795,434</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 premiums for the year ended June 30, 2010, was \$714,087 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](http://www.nmerb.org).



**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 5. EMPLOYEE BENEFITS (CONTINUED)**

*Funding Policy.* Plan members are required to contribute a percentage of gross salary. The percentages for the FY 2010 and FY2011 are: gross salary under \$20,000 plan members contribute 7.9%, the Institute contributes 12.4%; gross salary over \$20,000 plan members contribute 9.4%, the Institute contributes 10.9%, for a total contribution of 20.3% of gross salary. The contribution requirements of plan members and the Institute are established in State Statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the NM Legislature. The Institute's contributions to ERB for fiscal years ending June 30, 2010, 2009, and 2008 were \$8,095,314, \$8,077,657 and \$7,501,995, respectively, which is equal to 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, 2010, is \$214,974.

Future minimum rental payments required under operating leases is as follows for the years subsequent to June 30, 2010:

Years Ending June 30	
2011	\$ 224,812
2012	207,683
2013	96,657
2014	<u>30,829</u>
	<u>\$ 559,981</u>

At June 30, 2010, 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 \$26,405,885.

Construction obligations of \$4,417,435 are not presented in the financial statements. These obligations represent unfinished contracts with various entities.

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 6. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

*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, 2010 and 2009, 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.

*Budget Overages.* The Institute exceeded the budget for operations and maintenance of \$5,209,838 by \$915,907.

*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, 2010**

**NOTE 7. RECONCILIATION OF BUDGET BASIS TO GAAP**

<b>Budget basis revenues</b>	\$ 168,224,505
Tuition discounts and allowances	(3,698,538)
Indirect cost recovery	(8,848,813)
Additions to endowments	3,516,782
Gifts	942,271
Deposits held for other	105,670
Internal service revenue adjustment	4,705,149
GASB Adjustments	(737,293)
Reclassification entries	<u>4,324,264</u>
<b>Revenues per GAAP</b>	<u>\$ 168,533,997</u>

<b>Budget basis expenditures</b>	\$ 149,029,917
Compensated absences	3,259,611
Depreciation expense	12,072,422
Tuition discounts and allowances	(3,698,538)
Indirect cost recovery	(8,848,813)
Capital expenditures	(5,325,337)
Unbudgeted exhibits	959,209
Deposits held for others	126,618
Internal service revenue adjustment	4,705,149
Reclassification entries	5,019,429
Other adjustments	<u>1,501,869</u>
<b>Expenses per GAAP</b>	<u>\$ 158,801,536</u>

**NOTE 8. NEW MEXICO TECH RESEARCH FOUNDATION**

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

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

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

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 8. NEW MEXICO TECH RESEARCH FOUNDATION (CONTINUED)**

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

*Capital Assets.* The Foundation records tangible and intangible capital assets purchased at cost; and donations at their estimated fair value. The building is being depreciated using a straight-line method over a twenty-seven and a half year estimated useful life. The patent is being amortized over fifteen years. The Foundation capitalizes property and equipment purchases with a cost over \$500.

*Amortization.* The Foundation amortizes patents using a straight-line method over the fifteen-year estimated life of the patents.

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

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

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 8. NEW MEXICO TECH RESEARCH FOUNDATION (CONTINUED)**

***CASH AND BANK DEPOSITS***

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the entity’s deposits may not be returned to it. The Foundation does not have a deposit policy for custodial credit risk and does not require collateral. As of June 30, 2010, the Foundation’s deposits were exposed to custodial credit risk as follows:

	First State	Wells Fargo	Bank of America	Total
Total of deposits in the bank	\$ 331,284	17,542	30,904	379,730
FDIC coverage	(250,000)	(17,542)	(30,904)	(298,446)
Total uninsured funds	<u>\$ 81,284</u>	-	-	<u>81,284</u>
Custodial credit risk-deposits				
Account balance				\$ 379,730
FDIC insured				<u>298,446</u>
Uninsured and uncollateralized				<u>\$ 81,284</u>
Total deposits				\$ 379,730
Add: Money Market				<u>18,157</u>
Total deposits				<u>\$ 397,887</u>

Deposit classification in the financial statements at June 30, 2010 follows:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
First State Bank	Checking	Cash	\$ 231,109	41,516	189,593
First State Bank	Savings	Cash	175	-	175
First State Bank	Certificate	CD	100,000	-	100,000
Bank of America	Certificate	CD	30,904	-	30,904
Wells Fargo	Checking	Cash	17,542	-	17,542
Merrill Lynch	Investment	Money Market	18,157	-	18,157
			<u>\$ 397,887</u>	<u>41,516</u>	<u>356,371</u>

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 8. NEW MEXICO TECH RESEARCH FOUNDATION (CONTINUED)**

***INVESTMENTS***

None of the Foundation's investments are exposed to custodial credit risks as they are all registered. Also, the Foundation holds no debt securities and therefore the investments are not subject to credit or interest rate risk. A summary of the investments at June 30, 2010 are as follows:

Investments	Ratings	Fair Value
Held at Merrill Lynch investment account		
Equity Securities	Not Rated	\$ 658,931
Mutual Funds	Not Rated	<u>341,475</u>
		<u>1,000,406</u>
Investments not subject to categorization		
State Investment Council pooled funds		
Fixed income securities		5,149,568
Equity securities		8,138,976
		<u>13,288,544</u>
Insurance Annuity		<u>615,371</u>
<b>Total investments</b>		<b><u>\$ 14,904,321</u></b>

***CAPITAL ASSETS***

	2010			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated				
Land	\$ 164,650	-	1,500	163,150
Other	<u>130,501</u>	-	-	<u>130,501</u>
Total capital assets not being depreciated	<u>295,151</u>	-	1,500	<u>293,651</u>
Capital assets being depreciated				
Building	1,802,954	23,847	-	1,826,801
Patents	8,021,841	-	-	8,021,841
Accumulated depreciation building	(375,938)	(59,932)	-	(435,870)
Accumulated amortization Patents	<u>(4,534,916)</u>	<u>(3,465,084)</u>	-	<u>(8,000,000)</u>
Capital assets being depreciated, net	<u>4,913,941</u>	<u>(3,501,169)</u>	-	<u>1,412,772</u>
Capital assets, net	<u>\$ 5,209,092</u>	<u>(3,501,169)</u>	1,500	<u>1,706,423</u>

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 8. NEW MEXICO TECH RESEARCH FOUNDATION (CONTINUED)**

***RELATED PARTY TRANSACTIONS AND DONATED SERVICES***

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

The Foundation owns an insurance annuity through New York Life with a fair market value of \$615,371 at June 30, 2010. The insurance annuity was acquired to benefit the president of the Institute. The Foundation's annual contribution to the insurance annuity was \$100,000 in 2010.

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

The Foundation leases an apartment building to the Institute. The lease is classified as an operating lease, and expires in June 2010 with an option to renew for an additional three years. Lease revenues were \$90,150 for 2010.

The Foundation has a due to New Mexico Institute of Mining and Technology in the amount of \$725,000 for general scholarships and advertising expenses related to 2010.

**NOTE 9. NEW MEXICO TECH UNIVERSITY RESEARCH PARK CORPORATION**

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

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

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

***CASH AND BANK DEPOSITS***

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. The Corporation does not have a deposit policy for custodial credit risk. As of June 30, 2010, the Corporation's deposits were exposed to custodial credit risk as follows:

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 9. NEW MEXICO TECH UNIVERSITY RESEARCH PARK CORPORATION**  
**(CONTINUED)**

	First State
Total of deposits in the bank	\$ 39,972
Less FDIC coverage	<u>(39,972)</u>
Total uninsured funds	<u>\$ -</u>

Deposit classification in the financial statements at June 30, 2010 follows:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
First State Bank	Checking	Cash	<u>\$ 39,972</u>	-	<u>39,972</u>

***MAJOR CONTRACTS***

The Institute entered into a lease agreement with the Secretary of the Air Force (the "Government") in December 2005. The lease was subsequently transferred from the Institute to the Corporation. The term of the lease is for 50 years and requires that within 1,440 days of the beginning term date, the Corporation agrees to begin construction of a minimum 20,000 square foot commercial office building, lab research and secondary educational facility for the Corporation's use on the leased premises. Within 10 calendar years from the term beginning date, the Corporation will complete construction of a minimum of 60,000 square feet of commercial office, lab research and secondary educational space for the lessee's use on the leased premises. The Institute pays rent of \$36,543 to the Government annually on behalf of the Corporation.

***RELATED PARTY TRANSACTIONS***

The Institute provides, on a rent-free basis, the Corporation's office space. This amount is included in the Statement of Revenues, Expenses, and Changes in Net Assets as in-kind lease revenue in the amount of \$36,543 with an offset to in-kind lease expense in the same amount.

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

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



**SUPPLEMENTAL INFORMATION**

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
 COMBINED REVENUES AND EXPENDITURES  
 BUDGET COMPARISONS  
 Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Balances	\$ 22,297,313	35,590,222	50,236,124	14,645,902
Revenues				
State general fund appropriations	44,249,800	41,909,106	40,784,203	(1,124,903)
Restricted revenue sources	90,929,877	90,929,877	92,403,494	1,473,617
Tuition and fees	6,848,284	8,180,623	9,245,032	1,064,409
Land and permanent fund	1,534,007	1,134,007	1,266,283	132,276
Endowment earnings/private gifts	200,000	200,000	1,106,760	906,760
Other	10,772,310	11,108,830	23,418,733	12,309,903
<b>Total revenues</b>	<b>154,534,278</b>	<b>153,462,443</b>	<b>168,224,505</b>	<b>14,762,062</b>
<b>Total revenues and cash     balance budgeted</b>	<b>176,831,591</b>	<b>189,052,665</b>	<b>218,460,629</b>	<b>29,407,964</b>
Expenditures				
Instruction and general	33,967,431	36,741,143	32,860,776	(3,880,367)
Student social and cultural	469,500	710,308	710,308	-
Research	100,915,477	106,521,998	89,957,264	(16,564,734)
Public service	2,193,288	2,697,819	2,296,824	(400,995)
Internal service departments	1,127,500	1,543,341	145,123	(1,398,218)
Student aid	8,551,399	8,877,781	6,206,155	(2,671,626)
Auxiliary enterprises	4,716,306	4,805,258	4,757,766	(47,492)
Intercollegiate athletics	256,600	268,014	224,331	(43,683)
Independent operations	4,613,400	5,163,679	4,657,462	(506,217)
Capital outlay	12,534,006	12,134,006	7,213,908	(4,920,098)
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
<b>Total expenditures</b>	<b>169,344,907</b>	<b>179,463,347</b>	<b>149,029,917</b>	<b>(30,433,430)</b>
<b>Net transfers</b>	<b>(88,800)</b>	<b>2,922</b>	<b>(1,331,396)</b>	<b>(1,334,318)</b>
<b>Change in net assets-budgetary basis</b>	<b>\$ 7,486,684</b>	<b>9,589,318</b>	<b>69,430,712</b>	<b>59,841,394</b>

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 work-study.

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, 2010

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Balances	\$ 22,297,313	35,590,222	50,236,124	14,645,902
Revenues				
Tuition	6,135,700	7,468,039	7,864,918	396,879
Miscellaneous Fees	712,584	712,584	1,380,114	667,530
Government appropriation - federal	200	200	-	(200)
Government appropriation - state	44,249,800	41,909,106	40,784,203	(1,124,903)
Government appropriation - local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts -local	-	-	-	-
Private contracts	839,500	844,500	-	(844,500)
Endowments	200,000	200,000	221,973	21,973
Land and permanent fund	1,534,007	1,134,007	1,266,283	132,276
Private gifts	-	-	884,787	884,787
Sales and service	5,870,010	5,889,881	5,054,685	(835,196)
Other sources	4,902,100	5,218,749	18,364,048	13,145,299
<b>Total revenues</b>	<b>64,443,901</b>	<b>63,377,066</b>	<b>75,821,011</b>	<b>12,443,945</b>
<b>Total revenues and balance budgeted</b>	<b>86,741,214</b>	<b>98,967,288</b>	<b>126,057,135</b>	<b>27,089,847</b>
Expenditures				
Instruction and general	33,507,531	36,087,743	32,860,776	(3,226,967)
Student social and cultural	469,500	710,308	710,308	-
Research	9,985,600	15,592,121	9,206,543	(6,385,578)
Public service	2,193,288	2,697,819	2,296,824	(400,995)
Internal service departments	1,127,500	1,543,341	145,123	(1,398,218)
Student aid	3,834,198	4,160,580	3,336,168	(824,412)
Auxiliary enterprises	4,716,306	4,805,258	4,757,766	(47,492)
Intercollegiate athletics	256,600	268,014	224,331	(43,683)
Independent operations	4,613,400	5,163,679	4,657,462	(506,217)
Capital outlay	12,534,006	12,134,006	7,213,908	(4,920,098)
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
<b>Total expenditures</b>	<b>73,237,929</b>	<b>83,162,869</b>	<b>65,409,209</b>	<b>(17,753,660)</b>
<b>Net transfers</b>	<b>(88,800)</b>	<b>2,922</b>	<b>(1,331,396)</b>	<b>(1,334,318)</b>
<b>Change in net assets-budgetary basis</b>	<b>\$ (8,705,228)</b>	<b>(19,788,725)</b>	<b>59,316,530</b>	<b>31,531,923</b>

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
 RESTRICTED CURRENT FUNDS  
 REVENUES AND EXPENDITURES  
 BUDGET COMPARISONS  
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues				
Tuition	\$ -	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	22,500,000	22,500,000	2,500,000	(20,000,000)
Government appropriation - state	11,500,000	11,500,000	-	(11,500,000)
Government appropriation - local	-	-	-	-
Government grants - federal	44,650,000	44,650,000	64,351,933	19,701,933
Government grants - state	2,100,000	2,100,000	7,153,283	5,053,283
Contracts -local	-	-	-	-
Private gift/contracts	8,037,500	8,037,500	14,240,689	6,203,189
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	901,097	901,097
Sales and service	2,029,877	2,029,877	737,207	(1,292,670)
Other sources	112,500	112,500	2,519,285	2,406,785
<b>Total revenues</b>	<b>90,929,877</b>	<b>90,929,877</b>	<b>92,403,494</b>	<b>1,473,617</b>
Cash balance budgeted	-	-	-	-
<b>Total revenues and cash balance budgeted</b>	<b>90,929,877</b>	<b>90,929,877</b>	<b>92,403,494</b>	<b>1,473,617</b>
Expenditures				
Instruction and general	459,900	653,400	-	(653,400)
Student social and cultural	-	-	-	-
Research	90,929,877	90,929,877	80,750,721	(10,179,156)
Public service	-	-	-	-
Internal service departments	-	-	-	-
Student aid	4,717,201	4,717,201	2,869,987	(1,847,214)
Auxiliary enterprises	-	-	-	-
Intercollegiate athletics	-	-	-	-
Independent operations	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
<b>Total expenditures</b>	<b>96,106,978</b>	<b>96,300,478</b>	<b>83,620,708</b>	<b>(12,679,770)</b>
<b>Change in net assets-budgetary basis</b>	<b>\$ (5,177,101)</b>	<b>(5,370,601)</b>	<b>8,782,786</b>	<b>14,153,387</b>

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
UNRESTRICTED CURRENT FUNDS  
SUMMARY OF INSTRUCTION AND GENERAL  
REVENUES AND EXPENDITURES  
BUDGET COMPARISONS  
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning Fund Balances	\$ 2,137,180	5,832,205	5,832,205	-
Revenues				
Tuition	5,761,000	6,854,839	7,864,918	1,010,079
Miscellaneous fees	374,700	613,200	589,456	(23,744)
Government appropriation - federal	-	-	-	-
Government appropriation - state	29,062,100	27,901,426	27,901,400	(26)
Government appropriation - local	-	-	-	-
Government grants - federal	200	200	-	(200)
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private gift/contracts	-	-	-	-
Endowment earnings	200,000	200,000	221,973	21,973
Land and permanent fund	1,534,007	1,134,007	1,266,283	132,276
Private gifts	-	-	-	-
Sales and service	-	-	-	-
Other sources	4,131,700	4,131,700	8,177,968	4,046,268
<b>Total revenues</b>	<b>41,063,707</b>	<b>40,835,372</b>	<b>46,021,998</b>	<b>5,186,626</b>
Expenditures				
Instruction	16,501,109	17,328,681	16,190,992	(1,137,689)
Academic support	2,602,501	2,520,003	2,395,276	(124,727)
Student services	2,092,835	2,139,021	1,936,893	(202,128)
Institutional support	6,925,704	8,890,200	6,211,870	(2,678,330)
Operation and maintenance of plant	5,385,382	5,209,838	6,125,745	915,907
<b>Total expenditures</b>	<b>33,507,531</b>	<b>36,087,743</b>	<b>32,860,776</b>	<b>(3,226,967)</b>

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**RESTRICTED CURRENT FUNDS**  
**SUMMARY OF INSTRUCTION AND GENERAL**  
**REVENUES AND EXPENDITURES**  
**BUDGET COMPARISONS**  
**Year Ended June 30, 2010**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues				
Tuition	\$ -	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriation - state	-	-	-	-
Government appropriation - local	-	-	-	-
Government grants - federal	-	653,400	-	(653,400)
Government grants - state	-	-	-	-
Contracts -local	-	-	-	-
Private gift/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales and service	-	-	-	-
Other sources	-	-	-	-
<b>Total revenues</b>	-	653,400	-	(653,400)
Cash balance budgeted	-	-	-	-
<b>Total revenues and cash balance budgeted</b>	-	653,400	-	(653,400)
Expenditures				
Instruction	-	-	-	-
Academic support	-	-	-	-
Student services	-	-	-	-
Institutional support	-	653,400	-	(653,400)
Operation and maintenance of plant	-	-	-	-
<b>Total expenditures</b>	-	653,400	-	(653,400)

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**SCHEDULE OF DEPOSIT COLLATERAL**  
**June 30, 2010**

	Pledged Collateral		First	Wells Fargo	Bank of	Western Bank	Total
	Safekeeping Location	Type of Security	State Bank Socorro, NM	Socorro, NM	America Socorro, NM	Lordsburg, NM	
Funds on deposit							
Deposits			\$ 48,166,960	1,410,976	4,961	9,007	49,591,904
Sweep account			-	210,662	-	-	210,662
FDIC insurance							
Demand deposits			250,000	250,000	4,961	9,007	513,968
Savings deposits			250,000	-	-	-	250,000
<b>Total uninsured public funds</b>			<b>\$ 47,666,960</b>	<b>1,371,638</b>	<b>-</b>	<b>-</b>	<b>49,038,598</b>
Fifty percent collateral requirement per section 6-10-17 NMSA			\$ 23,833,480	580,488	-	-	24,413,968
102 percent collateral for sweep balance			-	214,875	-	-	214,875
Pledged collateral	Federal Reserve Bank, Dallas, Texas						
		U.S. Treasury Notes CUSIP # 912810DZ8 8/15/17	1,600,637	-	-	-	1,600,637
		U.S. Treasury Notes CUSIP # 912810DW5	105,244	-	-	-	105,244
		FHLMC CUSIP #3137EAAV1	3,020,636	-	-	-	3,020,636
		U.S. Treasury Notes CUSIP #912810DX3 11/15/16	2,293,483	-	-	-	2,293,483
		FNMA CUSIP # 31359MRG0 3/15/13	3,497,866	-	-	-	3,497,866
		FHLB CUSIP #3133XLWM1	3,767,363	-	-	-	3,767,363
		FFCB CUSIP # 31331QF77 5/7/13	1,489,364	-	-	-	1,489,364
		FFCB CUSIP # 31331H5L7 12/29/15	971,263	-	-	-	971,263
		FFCB CUSIP # 31331QYJ0 3/28/18	4,875,829	-	-	-	4,875,829
		FFCB CUSIP # 31331XSD5 3/08/17	2,223,514	-	-	-	2,223,514
		FHLB CUSIP # 3133MJUQ1 11/15/11	4,018,492	-	-	-	4,018,492

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
SCHEDULE OF DEPOSIT COLLATERAL (CONTINUED)  
June 30, 2010

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	\$ 4,939,587	-	-	-	4,939,587
	FHLB CUSIP # 3133MJQF0 8/15/16	2,432,253	-	-	-	2,432,253
	FFCB CUSIP #31331XX64	4,063,419	-	-	-	4,063,419
	FNMAP POOL #922754 3/1/2037	-	423,175	-	-	423,175
	FNMAP POOL #928832 10/1/2037	-	274,573	-	-	274,573
	FNMAP POOL #954896 11/1/2037	-	152,717	-	-	152,717
	FNMAP POOL #aa0863 1/1/2039	-	434,997	-	-	434,997
	FNCL CUSIP #31410DEL0 6/1/2036	-	125,367	-	-	125,367
	FNCL CUSIP # 31411WGN3 5/1/2037	-	89,508	-	-	89,508
Total collateral		39,298,950	1,500,337	-	-	40,799,287
Excess of pledged collateral over the required amount		\$ 15,465,470	704,974	-	-	16,170,444



**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND - EMPLOYEE BENEFIT TRUST**  
**Year Ended June 30, 2010**

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<b>ASSETS</b>				
Cash	\$ 522,282	7,945,015	7,776,508	<b>690,789</b>
Due from NMIMT	-	19,652	-	<b>19,652</b>
Short-term investments	2,125,365	8,105,748	8,506,534	<b>1,724,579</b>
	<u>\$ 2,647,647</u>	<u>16,070,415</u>	<u>16,283,042</u>	<u><b>2,435,020</b></u>
<b>LIABILITIES</b>				
Other accrued liabilities	\$ 132,685	24,024	-	<b>156,709</b>
Liabilities for claim expense	734,233	7,090,298	7,029,097	<b>795,434</b>
Deposits held in custody for others	1,780,729	8,105,748	8,403,600	<b>1,482,877</b>
	<u>\$ 2,647,647</u>	<u>15,220,070</u>	<u>15,432,697</u>	<u><b>2,435,020</b></u>

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010**

Federal Grantor-Program Title	Funding Agency Identification Number / Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenses
<b>Major Programs</b>			
<b>Research and Development</b>			
Department of defense			
U.S. Army		12.Unknown	\$ 19,028,585
U.S. Air Force		12.Unknown	2,278,265
U.S. Navy		12.Unknown	726,544
Department of Navy-MRO		12.Unknown	5,236,179
National Science Foundation			
Mathematical and Physical Sciences		47.049	2,659,240
ARRA		47.049	233,003
Department of Energy		81.Unknown	5,559,523
ARRA		81.Unknown	76,534
Department of the Interior			
U.S. Geological Survey		15.Unknown	268,197
Department of Health and Human Services			
National Institute of Health		93.Unknown	224,730
National Aeronautics and Space Administration		43.Unknown	462,071
Department of Labor--Mine Safety		17.602	189,395
<b>Total Federal Direct Research</b>			<b>36,942,266</b>
<b>Major Programs</b>			
<b>Research and Development-Pass throughs</b>			
Department of defense			
U.S. Army			
New Mexico State University	Q01358	12.Unknown	120,823
U.S. Air Force			
University of New Mexico	271262-8746	12.Unknown	67,194
Emory University	5-26650-G1	12.Unknown	22,746
Defense Threat Reduction Agency			
University of New Mexico	986019-8746	12.351	15,659
University of New Mexico	798153-8746	12.351	271,839
North Carolina State University	2008-0740-02	12.351	38,118
DOD			
University of New Mexico	SUB No. 798152-8746	12.Unknown	27,795
Department of Energy			
DOE Labs			
Lawrence Livermore	B573241	81.Unknown	9,689
Los Alamos National Labs	73266-001-09, 08-551-557, UCDRD STB-UC-06-40 58940-001-07, 63245-001-08 68300-001-08, 56160-001-07	81.Unknown	286,510
Sandia National Labs	850654,882847,863156,919713, 891949,911794,881436,920288 679606,739567,657377,755290 920668,655882,739566,827269 763934,611045,847908,751813 752587, 739568,764165,820340 661294,752151,787714,667074 820161, 807439, 702799	81.Unknown	1,321,747
Other DOE Subs			
Research Part. To Secure Energy for America	07123-07	81.Unknown	292,044
Research Part. To Secure Energy for America	07123-05	81.Unknown	216,438
Research Part. To Secure Energy for America	07-SCTA-98-NMT	81.Unknown	269,158
Research Part. To Secure Energy for America	08123-07	81.Unknown	117,971
University of Nevada Las Vegas	08-65BB-00	81.Unknown	20,634
University of Nevada Las Vegas	08-49HB-03	81.Unknown	27,092
Virginia Tech Polytechnic Institute	CR 19475-429182	81.Unknown	49,105
Virginia Tech Polytechnic Institute	CR 19475-42923	81.Unknown	91,912
LEA County, NM	SUB DE-NT0005227	81.Unknown	528,144
Pennsylvania State University	3764-NMIMT-DOE-2098	81.Unknown	106,647
University of Hawaii	DE-FC-06NT42847	81.Unknown	54,534
University of New Mexico	182002-8746	81.Unknown	145,983
ARRA-University of Utah	10015126	81.Unknown	32,072

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
Year Ended June 30, 2010**

Federal Grantor-Program Title	Funding Agency Identification Number / Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenses
NASA			
New Mexico State University	Q01352	43.xxx	\$ 47,329
New Mexico State University	Q01354	43.xxx	25,551
New Mexico State University	Q01295	43.xxx	51,693
New Mexico State University	Q01213	43.xxx	75,654
New Mexico State University	Q01266	43.xxx	15,684
New Mexico State University	Q01267	43.xxx	3,596
New Mexico State University	Q01268	43.xxx	5,258
New Mexico State University	Q01376 -NNX09AP69A	43.xxx	205,268
Jet Propulsion Laboratories	SUB NO. 1361129	43.xxx	2,274
Jet Propulsion Laboratories	1383100/NASA NMO710769	43.xxx	11,373
Universities Space Res. Assoc.	SUB 03450-07	43.xxx	22,687
Jet Propulsion Laboratories	1345729	43.xxx	59,140
Jet Propulsion Laboratories	RSA NO. 1368478	43.xxx	3,939
Jet Propulsion Laboratories	SUB #1360839	43.xxx	18,652
Jet Propulsion Laboratories	RSA # 1344355	43.xxx	8,877
SW Research Institute	A99185JD-NASA-NNM08AA04A	43.xxx	15,237
Space Alliance Tech. Outreach Prog	RTA3363/3366	43.xxx	433
Department of Health & Human Services - NIH			
New Mexico State University	Q01346	93.Unknown	515,568
New Mexico State University	INBRE YR 2	93.Unknown	149,355
National Science Foundation			
New Mexico State University	Q01158	47.049	28,770
University of Arizona	Y414031	47.049	118,164
New Mexico State University	Q01316 / P0070353	47.049	20,015
Northern Illinois University	94881	47.049	5,362
Northern Illinois University	94883	47.049	15,839
Northern Illinois University	94880	47.049	80,373
University of New Mexico	063013-8746	47.049	545,155
University of New Mexico	133433-8746	47.049	5,872
University of New Mexico	063015-8746	47.049	13,095
Inc. Research Inst.- Seismology	70-TA	47.049	1,494,192
Inc. Research Inst.- Seismology	17-PAS	47.049	62,420
Inc. Research Inst.- Seismology	02-PAS	47.049	2,009,378
Arizona State University	KMS0019-9-24/SUB	47.049	1,455
Arizona State University	KMS0019-9-23/SUB	47.049	1,520
Arizona State University	KMS0019-9-22/SUB	47.049	732
Joint Oceanographic Inst.	BA-68 PO# T322A68	47.049	19,083
Joint Oceanographic Inst.	SA 10-01	47.049	8,629
ARRA-Inc. Research Inst for Seismology	81-A	47.049	22,357
ARRA-Inc. Research Inst for Seismology	34-GSN	47.049	27,207
ARRA-Inc. Research Inst for Seismology	70-TA	47.049	438,534
Department of Interior - USGS			
New Mexico State University	Q01112	15.Unknown	2,883
<b>Total Research Pass Through Funds</b>			<b>10,292,457</b>
<b>Total Research</b>			<b>47,234,723</b>
Non Major Programs			
Student Financial Assistance			
Pell Grant Program		84.063	1,236,432
Perkins Loans		84.038	263,008
Supplemental Educational Opportunity Grants (SEOG)		84.007	269,731
College Work Study Program		84.033	306,461
GSL - Subsidized		84.268	922,058
GSL - Unsubsidized		84.268	1,328,189
Smart Grant		84.976	164,321
Academic Competiveness Grant		84.375	26,752
Parent Loan for Undergraduates (PLUS)		84.032	121,145
<b>Total Student Financial Assistance</b>			<b>4,638,097</b>

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**Year Ended June 30, 2010**

Federal Grantor-Program Title	Funding Agency Identification Number / Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenses
<b>Non Major Programs</b>			
Department of Homeland Security - Dept of Justice	2009-NA-T9-K002 2009-DG-BX-K002	97.005 16.580	\$ 23,236,509 5,529
Department of State - ILEA	S-INLEC-06-CA-0005	19.Unknown	3,746,848
Department of Homeland Security	2008-ST-104-000011	97.104	104,330
Environmental Protection Agency	X6-96664301-0,EP-R8-09-09 EP096000201 SU-83431701	66.424 66.506 66.516	495,238 310,001 4,020
Other Defense Agencies	HM1582-07-1-2025 H98230-09-1-0383 HR0011-10-1-0057/Z832/00	12.Unknown 12.902 12.910	396,814 12,965 21,699
Department of the Interior Bureau of Land Management Cave & Karst Research Office of Surface Mining	GDA080015 H2360030007/H2360097030 S09AP15393	15.Unknown 15.Unknown 15.Unknown	132,464 358,941 24,895
US Fish & Wildlife National Park Service	201814J862 P2360097099,J7810090024	15.Unknown 15.Unknown	469 32,995
National Endowment for the Arts	10-7800-7027	45.024	26,000
Department of Agriculture US Forest Service	04-CS-11031600-008 MOD 3	10.Unknown	-
Department of Education	PO47M090004 PO31M090020 PO47A070017	84.047 84.031 84.047	115,735 320,224 261,117
Department of State Department of Transportation	S-DSASD-09-CA-200/A1/A2 PO #26281	19.Unknown 20.Unknown	220,338 -
<b>Total Other Federal Direct</b>			<b>29,827,131</b>
<b>Federal Pass-Through Funding</b>			
Environmental Protection Agency Passed through ARRA-State of New Mexico NM Finance Authority Kansas Dept of Health & Environ.	MOU10/09 CONTRACT MAY 2009	66.Unknown 66.Unknown	11,065 63,567
Department of Education Passed through Amarillo College New Mexico State University New Mexico State University New Mexico State University	SUB P031C080131 Q01254 Q01269 Q01303	84.Unknown 84.Unknown 84.Unknown 84.Unknown	920,978 4,186 2,093 60,000
Department of Transportation Passed through State of NM Department of Transportation	C05309,C05357,C05249,C05119	20.205	158,572
Department of Labor Passed through State of NM Workforce Solutions State of NM Workforce Solutions	09-631-0010-00068 09-631-0004-00046	17.Unknown 17.Unknown	8,597 209,139
FEMA/OJP Passed through State of NM Department of Homeland Security State of NM Department of Public Safety	2007/2009-EMPGSP 000-UPILU-00	97.Unknown 97.036	26,800 210,078
FAA Passed through State of NM Department of Transportation	C04939	20.Unknown	40,366
<b>Total Federal Pass-Through Funding</b>			<b>1,715,441</b>
<b>Total Federal Awards</b>			<b>\$ 83,415,392</b>

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  
Year Ended June 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**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, 2010, were \$2,516,806. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2010, were \$263,008. 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, 2010.

During the fiscal year ended June 30, 2010, the Institute processed \$2,431,141 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 H. Balderas  
New Mexico State Auditor

We have audited the financial statements of the business-type activities, each discretely presented component unit and the fiduciary fund of the New Mexico Institute of Mining and Technology (Institute), as of and for the year ended June 30, 2010. We have also audited the budget comparison schedules for the year ended June 30, 2010 and have issued our report thereon dated November 10, 2010. 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.

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.

A *deficiency in internal control* exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described as item 10-01 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

#### 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 10-04 to 10-08.

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.

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

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.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 10, 2010



**Report on Compliance With  
Requirements That Could Have a Direct and Material Effect on  
Each Major Program  
And on 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 H. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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.

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

In our opinion the Institute complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 10-02 and 10-03.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance what we consider to be significant deficiencies as described in the accompanying schedule of findings a questions costs as items 10-02 and 10-03. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 10, 2010

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
SUMMARY OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2010**

<b>Prior Year Finding Description</b>	<b>Status</b>
09-01 Payroll Liability Account Reconciliations	Resolved
09-02 Support for Travel Charges	Resolved
09-03 Component Unit-Segregation of Duties	Resolved

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2010**

**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued Unqualified

Internal control over financial reporting:

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

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

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified that are not considered to be material weakness(es)   X   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?   X   Yes \_\_\_\_\_ No

Identification of Major Program

CFDA Number Name of Federal Program or Cluster  
 R&D Various Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs   \$2,502,462  

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**B. FINDINGS-FINANCIAL STATEMENT AUDIT**

**10-01 Reconciliation of employee benefit trust account balances to the general ledger  
(significant deficiency)**

**CONDITION**

During our testing of the Agency Fund's net assets and claim on cash, we noted that a reconciliation was not performed during the year.

**CRITERIA**

The NM Tech's 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 net assets and cash are not being accounted for accurately.

**RECOMMENDATION**

We recommend that the Institute designate a person to reconcile the Agency Fund's net assets on a monthly basis.

**MANAGEMENT RESPONSE**

The procedures for monthly reconciliation of the Benefit Trust fund have been modified to ensure that outstanding items are found and corrected in a timely manner. An audit of the claim on cash in this fund by the NM Tech Internal Control Office has also been added to the reconciliation process.

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**10-02 Procurement, Suspension and Debarment (significant deficiency)**

**Title: R & D Cluster**

**CFDA Number: Various**

**CONDITION**

During the testing of the procurement files for research and development grants and noted that an Excluded Parties Listing System (EPLS) search for suspended or debarred parties was not performed at the time of awarding the contract.

**CRITERIA**

Although EPLS searched were performed on July 8, 2010, OMB Circular A-133 states: "Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria."

**QUESTIONED COSTS**

None.

**CAUSE**

There was a change in personnel during the year and the new personnel were not familiar with the compliance requirement.

**EFFECT**

The Institute could enter into a contract with a party that has been suspended or debarred resulting in substandard work or unallowable costs.

**RECOMMENDATION**

We recommend the Institute establish written procedures and training programs to ensure new employees are familiar with federal requirements. In addition, we recommend the Institute develop a monitoring system to ensure compliance with its internal control procedures.

**MANAGEMENT REPOSE**

The Institute's purchasing is now aware of the requirement, corrective measures have been implemented to ensure compliance and all purchasing offices are now checking all federal purchases exceeding \$25,000 with EPLS.gov. A tutorial has been prepared and sent to all buyers to ensure everyone understands the process and knows how to check the EPLS. In addition, the procurement checklist has been updated with the requirement.

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**10-03 Time and Effort Certifications (significant deficiency)**

**Title: R & D Cluster**

**CFDA Number: Various**

**CONDITION**

During our testing of payroll disbursements, we noted that 14 of 25 individuals did not sign personnel activity reports for professional employees to verify time and effort charged to their grants.

**CRITERIA**

According to OMB Cost Circular A-21 “For professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.”

**QUESTIONED COSTS**

None.

**CAUSE**

Employees were not aware of the requirement to certify their payroll.

**EFFECT**

Failure to comply with federal cost circular requirements could result in a loss of funding or unallowable costs.

**RECOMMENDATION**

We recommend the Institute establish written procedures and training programs to ensure new employees are familiar with federal requirements. In addition, we recommend the Institute develop a monitoring system to ensure compliance with its internal control procedures.

**MANAGEMENT REPOSE**

The University has an established process to identify and collect Personnel Activity Forms (PAFs) in accordance with OMB A-21, Section J.10.c.2 “after-the-fact activity records”. The Cost Accounting Department implemented new procedures in FY11 which has improved the overall collection process of the PAFs and will be reflected in the FY11 audit.

A review of January – June 2010 Personnel Activity Forms indicate that 100% of forms distributed had been collected as of September 30, 2010.



**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**D. STATE AUDITOR FINDINGS**

**10-04 Travel and Per Diem Reimbursements**

**CONDITION**

During our testing of travel and per diem, we noted one out of forty-five disbursements that was improperly calculated resulting in an overpayment of \$56. Per Diem should have been calculated at a rate of \$45 per day; however, the Travel Reimbursement Voucher shows a rate of \$46.93 was used.

**CRITERIA**

According to the New Mexico Institution of Mining and Technology's policy, a rate of \$45 per day should be used to calculate travel to Santa Fe.

**CAUSE**

There was a calculation error and due to the small amount, the difference was not detected by the Institute's internal controls.

**EFFECT**

The Institute is not in compliance with its policies and over paid for the travel expenditure.

**RECOMMENDATION**

We recommend the Institute continue to review travel and per diem reimbursements.

**MANAGEMENT RESPONSE**

This was a calculation error. The Travel Office audits all travel requests and reimbursements and processes hundreds of reimbursement requests with a very low error rate. Every effort will be made to avoid future errors.

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**D. STATE AUDITOR FINDINGS (CONTINUED)**

**10-05 Purchase Card Transactions**

**CONDITION**

We determined there were approximately eighty transactions for the purchase of IT related equipment charged to a General Supplies and Expenses account. These items were not reported to the Property Office for appropriate tagging as they fall under the \$1,000 capitalization threshold under the current Purchase Card policy. Second, there were approximately thirty transactions in which the business use of the items purchased was unclear and there was no supporting documentation supporting a valid business use. Third, we found thirteen disbursements that were not consistent with the current Purchase Card policy. It was not determined whether corrective action was taken or if Purchase Card privileges were revoked.

**CRITERIA**

The current Purchase Card policy at the Institute does not appear to be sufficient to properly classify and account for Purchase Card disbursements. Transactions are not reviewed in detail by the Business Office since the ability to scan detail of transactions into PDF format is not currently being utilized by the Purchasing Office. The current policy also does not require the purchase of IT related equipment to be reported to the Purchasing Office if those purchases are under the \$1,000 threshold outlined in the current Purchase Card policy.

**CAUSE**

Employees were not informed of the proper Purchase Card Policy.

**EFFECT**

The Institute is not in compliance with the Purchase Card Policy and may not be capitalizing all items as required. There is increased risk that improper purchases may be made and go undetected.

**RECOMMENDATION**

We recommend the Institute review, evaluate and strengthen its current Purchase Card policies and procedures.

**MANAGEMENT REPOSENSE**

- (1) Currently NMT's property threshold for tagging equipment is \$1,000 and above for the value of an asset and the Procurement Card Policy mirrors that requirement. Purchasing has been in the process of updating the current Procurement Card Policy. Cardholders use a default account when setting up their cards. When statements are received, the cardholder then reallocates the transaction to a more appropriate account prior to processing their statements. If the change is not made at that time, then a JV is done by the department after the batch is processed. An audit is performed of the statement by the procurement card administrator, if any transactions are questionable, the department and Business Office are contacted for their input, and if changes are required, they are made prior to batching. The software which allows scanning has been purchased and installed. It is anticipated to begin use shortly. This will allow communication between Purchasing, the Business Office, and Restricted Funds

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**D. STATE AUDITOR FINDINGS (CONTINUED)**

**10-05 Purchase Card Transactions (Continued)**

MANAGEMENT REPOSE (CONTINUED)

(2) business use purchases require background documentation explaining how the items procured are to be used and will be scrutinized and documented more thoroughly. (3) Cardholders are provided with an email notification when misuse issues arise. If the offense is repeated, the card is suspended until a memo is received explaining the situation and what processes have been implemented by the cardholder to prevent future misuse. With the update of the Procurement Card Policy the application form has also been updated to notify the cardholder that they must sign the form attesting they have read the policy (including the list of Prohibited Procurement Purchases) will abide by it, and understand the repercussions of misuse.

A procedure will be implemented to screen all IT related purchasing card purchases which will require all such purchases to be routed to the Property Office for review to determine if it needs be added to an existing piece of capital equipment.

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**D. STATE AUDITOR FINDINGS (CONTINUED)**

**10-06 NOTIFICATION OF PROPERTY DISPOSITION**

**CONDITION**

During our testwork, it was noted that deletions of fixed assets had occurred at the Institute without notification to the State Auditor. During the fiscal year, the Institute disposed of assets with an original cost of \$487,256.

**CRITERIA**

Section 2.2.2.10 of the State Audit Rule requires that written notification of the proposed disposition of property be sent to the State Auditor at least 30 days prior to disposition. The notification shall be approved by the state agency.

**CAUSE**

The Institute did not send the notification to the State Auditor prior to the dispositions as the individuals responsible for this area were not aware of the requirement.

**EFFECT**

The Institute disposed of items with proper notification to the State Auditor, and thus was not in compliance with the State Audit Rule.

**RECOMMENDATION**

We recommend that procedures be developed and placed into operation to ensure that all deletions from the fixed asset inventory are handled in accordance with the State Audit Rule.

**MANAGEMENT RESPONSE**

A procedure to obtain all required approvals and send out all required notifications is in place. The lack of notification of property dispositions to the State Auditor was an oversight due to two primary reasons. The first is that the NMT Property Office lost three of the four employees that normally staff the office. The second reason is that, due to the shortage of staff, NMT did not hold the usual property auction for FY10. The auction is the normal trigger for our procedure to begin. However, we did dispose of property via the bid process, and failed to follow the notification procedures. The current procedure will be updated to include disposition of property regardless of the method of disposition.

NMT added Senior administrator with experience with purchasing to oversee the development of an updated property manual to ensure compliance with state regulations.

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**D. STATE AUDITOR FINDINGS (CONTINUED)**

**10-07 BUDGET OVERAGES**

**CONDITION**

The Institute exceeded its approved budget for Operation and Maintenance of plant of \$5,209,838 by \$915,907.

**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 overage in Operation and Maintenance of plant is due to high utility costs. NMT is looking into ways to conserve on utility usage.

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**D. STATE AUDITOR FINDINGS (CONTINUED)**

**10-08 LATE AUDIT REPORT**

**CONDITION**

The Institute's audit report was submitted before the due date of November 15, 2010. However, it was subsequently rejected by the Office of the State Auditor.

**CRITERIA**

Subsection A of 2.2.2.9 NMAC states that audit report due date for universities is November 15.

**CAUSE**

The audit report was rejected by the State Auditor's Office due to non-compliance with State Audit Rule requirements.

**EFFECT**

The report is not available to the users for review in a timely manner.

**RECOMMENDATION**

We recommend that the Institute work with the auditors in reviewing the financial statements in a timely manner in order to ensure compliance with State Audit Rule.

**MANAGEMENT'S RESPONSE**

NM Tech will continue to make every effort to work with the auditors in order to verify the accuracy of the financial statements and submit the audit report to the State Auditor's office in a timely manner.

**NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY  
EXIT CONFERENCE  
June 30, 2010**

An exit conference was held on November 12, 2010, 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
Arleen Valles	Director of Finance
Anna McLain	Director of Sponsored Projects
Erik County	Financial System Administrator
Alex K. Thyssen	Director of Internal Audit
Camille Gurule	Accounting Manager

For the New Mexico Tech Research Foundation:

Alex K. Thyssen	Treasurer-Assistant Secretary
Lonnie G. Marquez	Trustee

For the New Mexico Tech University Research Park Corporation:

Jerry A. Armijo	President
Alex K. Thyssen	Treasurer-Secretary
Lonnie G. Marquez	Director

For Moss Adams LLP:

Larry Carmony	Partner
Molly Saiz	Supervisor

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