

NEW MEXICO TECH



TABLE OF CONTENTS

CONTENTSi-ii

OFFICIAL ROSTERiii

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS 1-3

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)4-13

BASIC FINANCIAL STATEMENTS

 Statement of Net Position 14-15

 Statement of Revenues, Expenses, and Changes in Net Position 16-17

 Statement of Cash Flows 18-19

 Statement of Fiduciary Net Deficit Available for Benefits..... 20

 Statement of Changes in Fiduciary Net Deficit Available for Benefits 21

Notes to Financial Statements22-82

REQUIRED SUPPLEMENTARY INFORMATION

 Schedule of Proportionate Share of the Net Pension Liability 83

 Schedule of Contributions 84

 Notes to Defined Benefit Retirement Plan RSI 85

 Schedule of Funding Progress and Employer Contributions –
 Other Postemployment Benefits (OPEB) 86-88

OTHER SUPPLEMENTARY INFORMATION

 Combined Revenues and Expenditures – Budget Comparisons – Schedule 1 89

 Unrestricted Current Funds – Revenues and Expenditures –
 Budget Comparisons – Schedule 2..... 90

 Restricted Current Funds – Revenues and Expenditures –
 Budget Comparisons – Schedule 3..... 91

 Unrestricted Current Funds – Summary of Instruction and General -
 Revenues and Expenditures – Budget Comparisons – Schedule 4 92

TABLE OF CONTENTS – CONTINUED

Schedule of Deposit Collateral – Schedule 5..... 93

Schedule of Multiple-Year Capital Projects Funded by General Obligation
Revenue Bond and Severance Tax Bond Capital Outlay Appropriations
from the State – Schedule 6..... 94

Schedule of Vendor Information For Purchases Exceeding \$60,000
(Excluding GRT) (Unaudited) – Schedule 7..... 95-99

Schedule of Joint Powers Agreements – Schedule 8 100

Schedule of Expenditures of Federal Awards – Schedule 9..... 101-106

Notes to the Schedule of Expenditures of Federal Awards..... 107

SINGLE AUDIT SECTION

Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards*..... 108-109

Independent Auditors' Report on Compliance with Each
Major Federal Program and Report on Internal Control Over
Compliance, Required by The Uniform Guidance..... 110-112

Summary of Prior and Current Audit Findings 113

Schedule of Findings and Questioned Costs..... 114

Summary of Audit Findings and Questioned Costs 115-128

Exit Conference 129

New Mexico Institute of Mining and Technology

OFFICIAL ROSTER

June 30, 2016

Board of Regents

Ex Officio Members:

The Honorable Susana Martinez Governor of the State of New Mexico

Dr. Barbara Damron Cabinet Secretary, Higher
Education Department

Appointed Members:

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

Principal Administrative Officials

Daniel H. Lopez	President
Richard Cervantes	Vice President for Administration and Finance
Charles Hendrickson	Associate Vice President for Finance and Administration
Warren Ostergren	Vice President for Academic Affairs
Melissa Jaramillo-Fleming	Vice President for Student and University Relations
Van D. Romero	Vice President for Research and Economic Development
Matthew Rhoades	Director, New Mexico Bureau of Geology and Mineral Resources
Robert L. Lee	Director, New Mexico Petroleum Recovery Research Center
Richard Jimenez	Director, Energetic Materials Research and Testing Center
Leyla A. Sedillo	Associate Vice President for Budget and Analysis
Arleen Valles	Director of Finance
Gayle Bailey	Director of Sponsored Projects
Melissa Tull	Controller

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Regents
New Mexico Institute of Mining and Technology
Socorro, New Mexico
and
Mr. Timothy Keller
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each discretely presented component unit and the fiduciary fund of the New Mexico Institute of Mining and Technology (the Institute) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the budgetary comparisons for the combined revenues and expenditures, unrestricted current funds, restricted current funds, and unrestricted instruction and general funds presented as supplementary information, as defined by the Government Accounting Standards Board, in accompanying combined and individual budgetary fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component units, and the fiduciary fund of the Institute, as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison statements for the year ended June 30, 2016, referenced as schedules 1, 2, 3, and 4 in conformity with the budgetary basis of accounting more fully described in Note A, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note A, the financial statements of the Institute are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities that are attributable to the transactions of the Institute. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2016, and the changes in its financial position and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America (US GAAP).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13, budgetary comparison information on pages 89-92, other postemployment benefit information on pages 86-88, and pension schedules on pages 83-85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Institute's basic financial statements and on the budgetary comparisons. The accompanying schedules of deposit collateral and multiple-year capital projects funded by general obligation revenue bond and severance tax bond capital outlay appropriations from the state required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules referred to above and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2016, on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

ATKINSON & CO., LTD

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 11, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2016

The New Mexico Institute of Mining and Technology (New Mexico Tech, NMIMT, or the Institute) Management's Discussion and Analysis (MDA) of annual financial statements provide an overview of New Mexico Tech's financial activities for the fiscal year ending June 30, 2016. Also included for comparison purposes is a 2015 financial summary. This annual report is presented in the Governmental Accounting Standard Board Statements (GASB) 34 and 35 reporting format. New Mexico Tech, as do all of New Mexico colleges and universities, uses the Business Type Activity (BTA) format to report the financial statements.

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

A brief summary is provided for the following financial reports:

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

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

Statement of Net Position (SNP)

The Statement of Net Position is a report of the financial and capital resources managed by New Mexico Tech. The SNP is a summary of New Mexico Tech's assets and liabilities, and it is a "snapshot" of New Mexico Tech at the close of business at the date of the statement, in this case, June 30, 2016.

The statement format used by New Mexico Tech is Assets plus Deferred Outflows minus Liabilities minus Deferred Inflows equals Net Position. GASB 68 requires New Mexico Tech financial statements to report the pension liability even though the New Mexico Educational Retirement Board manages and oversees the retirement assets and administration of the funds dedicated to New Mexico Tech. New to this year's presentation is the fact that the New Mexico Tech SNP now includes the balances from the New Mexico Institute of Mining and Technology Employee Benefit Trust. The figures for the year ended June 30, 2015, have been adjusted to account for the Benefit Trust data in order to provide comparability between years. Detailed information regarding this change is available in Footnote L. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

Year Ended June 30, 2016

The following table summarizes the Institute's assets, deferred outflows, liabilities, deferred inflows, and net position as of:

	Balance June 30, 2016 (In Thousands)	Balance June 30, 2015 as restated (In Thousands)	Difference	%Change
Current assets	\$ 76,038	\$ 80,103	\$ (4,065)	-5.1%
Capital assets, net	156,057	159,578	(3,521)	-2.2%
Other noncurrent assets	<u>85,614</u>	<u>85,392</u>	<u>222</u>	0.3%
Total Assets	<u>317,708</u>	<u>325,073</u>	<u>(7,365)</u>	-2.3%
Deferred Outflows - pension related	<u>7,883</u>	<u>4,922</u>	<u>2,961</u>	60.1%
Total Assets and Deferred Outflows	<u>\$ 325,591</u>	<u>\$ 329,995</u>	<u>\$ (4,404)</u>	-1.3%
Current Liabilities	\$ 10,580	\$ 16,396	\$ (5,815)	-35.5%
Non-Current Liabilities	<u>113,696</u>	<u>101,424</u>	<u>12,273</u>	12.1%
Total Liabilities	124,277	117,820	6,457	5.5%
Deferred Inflows - pension related	6,013	14,000	(7,987)	-57.1%
Net Position				
Capital assets, net of related debt	144,367	147,348	(2,981)	-2.0%
Restricted net position	79,698	83,030	(3,331)	-4.0%
Unrestricted net position	<u>(28,764)</u>	<u>(32,202)</u>	<u>3,438</u>	-10.7%
Total Net Position	<u>195,302</u>	<u>198,176</u>	<u>(2,874)</u>	-1.5%
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 325,591</u>	<u>\$ 329,995</u>	<u>\$ (4,404)</u>	-1.3%

Total assets decreased \$7.4 million or 2.3 percent. Several categories in the asset classification changed during the fiscal year.

- Current assets decreased \$4.1 million due to normal operating activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

Year Ended June 30, 2016

- Capital Assets decreased \$3.0 million or 2.0 percent. This is primarily due to the net of capital assets acquired throughout the fiscal year and the recording of depreciation.
- Total Liabilities increased \$6.5 million or 5.5 percent.

Net Position is divided into three categories:

- Investment in capital assets, net of related debt: This category consists of capital assets reduced by outstanding debt and accumulated depreciation. The net increase is \$3.0 million. No large items such as buildings were capitalized this year, thus the current year's depreciation amount was actually larger than the accumulated amount of items added, which resulted in an overall net decrease.
- Restricted net position: This category is subdivided into non-expendable and expendable. The non-expendable is restricted assets earmarked for investment purposes only, such as endowments. Expendable restricted assets are available for expenditures restricted by the creditor, donor or other external source such as grants and contracts. This category decreased \$3.3 million.
- Unrestricted net position: This category reports the assets available to New Mexico Tech for any lawful purpose. These funds increased \$2.9 million.

Statement of Revenue, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position (SRECNP) is a report of New Mexico Tech's economic activity for the twelve-month period or fiscal year ending June 30, 2016. The SRECNP reports the revenues and expenses for one-year's activity, unlike the SNP, which is a snapshot of New Mexico Tech as of the date of the statement. Operating and non-operating revenues and expenditures are reported in this statement. As noted previously, new to this year's presentation is the fact that the New Mexico Tech SRECNP now includes activity from the New Mexico Institute of Mining and Technology Employee Benefit Trust. The figures for the year ended June 30, 2015, have been adjusted to account for the Benefit Trust in order to provide comparability between years.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

Year Ended June 30, 2016

Statement of Revenue, Expenses and Changes in Net Position – Continued

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

	June 30, 2016 (In Thousands)	June 30, 2015 as restated (In Thousands)	Difference	%
Operating Revenue	\$ 72,690	\$ 83,883	\$ 11,193	13.3%
Operating Expense	<u>130,624</u>	<u>136,842</u>	<u>(6,218)</u>	-4.5%
Operating Loss	(57,934)	(52,959)	4,975	-9.4%
Non-Operating Revenue	<u>40,240</u>	<u>40,311</u>	<u>(72)</u>	-0.2%
(Loss) income before other revenues and capital items	(17,695)	(12,648)	5,047	-39.9%
Other revenues and capital items	<u>14,820</u>	<u>26,797</u>	<u>(11,977)</u>	-44.7%
(Decrease) increase in net position	<u>\$ (2,874)</u>	<u>\$ 14,150</u>	<u>\$ 17,024</u>	120.3%

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 decreased \$11.1 million.
- Net tuition revenue increased \$407 thousand.
- Grants and contracts revenue decreased \$11.5 million.
- All other operating income decreased \$1.0 million.

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

- Total operating expenses decreased \$6.2 million.
- Research and other sponsored expenditures decreased \$9.0 million.
- State appropriations, including I&G and RPSP, were \$38.8 million compared to last year's \$36.7 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

Year Ended June 30, 2016

Statement of Revenue, Expenses and Changes in Net Position – Continued

- The net operating loss for this fiscal year is \$57.9 million compared to last year's net operating loss of \$53.0 million. The GASB-required reporting format is mandated to exclude state support as operating revenue. New Mexico Tech and all state universities do report an operating loss from operations.
- Non-operating revenues are funds or commitments received in support of the Institute, but which do not provide for the operation of the Institute, such as interest income, gifts and endowments. The one major exception for public colleges and universities is state appropriations. GASB 34/35 requires state appropriations to be included as non-operating revenues, even though those revenues are in direct support of the educational mission of the Institute. Instruction and general expenses are reported as operating expenses; therefore, because of this anomaly, an operating loss is reported each year. Non-operating expenses are the expenditure or investment of the funds received from non-operating sources.

Non-operating revenues decreased \$72 thousand compared to last year. Non-operating revenues decreased \$12.1 million compared to last year. Capital appropriations decreased \$9.0 million due to completion of projects. State land grant and permanent fund distributions and income decreased by \$2.3 million in the current year.

Statement of Cash Flows

The Statement of Cash Flows is a summary of the sources and uses of funds received by New Mexico Tech. The statement is presented in four sections within the accompanying reconciliations. Each section is a summary of the funds received to that particular activity and the funds used for the activity. The Statement of Cash Flows includes:

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

Note: The New Mexico Institute of Mining and Technology Foundation and The New Mexico Tech University Research Park Corporation's statements are included as component units, but their operations are not managed or controlled by New Mexico Tech.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

Year Ended June 30, 2016

Comparison of Budget to Actual

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

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

A reconciliation of the budget to actual revenues and expenditures is added to ensure that the budgeted and actual numbers agree with the financial statements in accordance with US GAAP. The budget is adjusted at least twice a year with a Budget Adjustment Request (BAR) that is filed and approved by the Higher Education Department and the New Mexico Department of Finance (DFA).

The restricted current funds revenues and expenditures budget comparisons are also presented in accordance with state auditor standards. Unlike the unrestricted current fund, the activity for restricted current funds does not coincide with the New Mexico Tech fiscal year.

Capital Assets

In August of 2015, the Board of Regents approved the demolition of the vacated Bureau of Geology and Mineral Resources building and voted to construct a new Chemistry building on the site. Every student at New Mexico Tech must take a chemistry course regardless of his or her major. In the spring of 2016, the University began construction of a LEED Silver two-story 39,000 square-foot chemistry building. The project was funded by General Obligation Bonds passed by New Mexico voters in 2014. Those bonds included \$15 million for the construction project. The Chemistry building is scheduled to be complete by March 2017.

The Magdalena Ridge Observatory construction is still a work in progress. The total project is estimated to be over \$60 million. The first phase of the construction, the single telescope, is completed and operational. The second phase of the construction, the interferometer, is expected to be completed and operational within the next two years. New Mexico Tech was awarded a \$25 million contract in September 2015 to continue the construction. In 2016, the first telescope of the array was installed on the Observatory.

In addition, there were a number of smaller campus projects that were in progress at fiscal year-end: Gold Building remodel, Library lighting Phase 2, Jones Annex HVAC and new Data Center building just to name a few.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

Year Ended June 30, 2016

Debt Administration

The Board of Regents approved a Revenue Bond, Series 2011 for the construction of a dormitory in 2011.

The bond term is 20 years with an effective interest rate of 4.441 percent. The annual principal and interest payments average \$1,066,050. The debt is serviced with unrestricted revenues including auxiliary, tuition, fees, and overhead income.

Total proceeds deposited from the bond sale, including the premium and after-cost of issuance, was \$14,041,092. \$11 million was dedicated to the construction of the new dormitory and related projects, and \$5 million is dedicated for equipment and construction of the Magdalena Ridge Observatory project. The funds for both projects have been fully expended as of June 30, 2016. The semi-annual payment of principle and interest is paid on January 1 and July 1. The outstanding long-term bond debt at June 30, 2016, was \$11,689,713.

Currently Known Facts

Enrollment

Enrollment at New Mexico Tech continues to steadily increase.

The Fall 2015 freshman and transfers enrollment is 408 compared to 403 last year. Additionally, total enrollment numbers are trending upward for New Mexico Tech.

<u>School Year</u>	<u>Head Count</u>	<u>Credit Hours (CH)</u>	<u>End of Course (CH)</u>
2011-12	2,009	47,641	46,003 96.6%
2012-13	2,105	50,865	49,425 97.2%
2013-14	2,134	52,426	50,616 96.6%
2014-15	2,127	53,027	51,484 97.1%
2015-16	2,150	53,319	51,230 96.1%
% Change	7.0%	11.9%	11.4%

As the chart above demonstrates, head count and credit hours continue to increase. The end-of-course completion rates continue to hover around 96-97%. The End of Course is a measure used to calculate the higher education funding formula. The percentage changes over the last five years are positive, especially the End of Course increase. The percentage of EOCCH to CH also shows increased performance that is directly related to the quality of the student, faculty and staff at New Mexico Tech.

The national economy continues to improve. The main sources of revenue for the State of New Mexico, gas and oil, have declined compared to last year. Funding from the State continues to be an issue and further reductions in appropriations are expected.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

Year Ended June 30, 2016

Currently Known Facts – Continued

Enrollment - Continued

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

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

Higher Education Funding Formula

The funding formula for higher education in New Mexico was updated in fiscal year 2013. Instead of funding universities for student credit hours at the census date, third week of classes, the new formula now funds universities on outcomes, end-of-course completion, awards (diplomas and certificates), work force incentives (STEM), at-risk student enrollment (Pell eligible) and sector-specific measures, which for the research universities is calculated as research expenditures. Despite the University's increased productivity in the formula metrics described above, due to declines in State revenue, the formula funding is unlikely to produce increased appropriations to the University. Tuition increases have helped offset some of the Institute's increased costs such as health insurance, risk management insurance, utilities, etc. The NMT administration is addressing faculty salaries in order to be comparable to New Mexico peer institutions over a three-year period. The 2016 budget in faculty salary equity increases above and beyond inflationary cost of living.

Concern for future enrollment is based on the same circumstances that existed for several years; i.e., the forecast for high school graduation rates in New Mexico continues to be discouraging because of smaller graduating classes and low high school graduation rates. Smaller high school graduating classes means fewer students are in the pipeline to attend New Mexico colleges and universities. New Mexico Tech has been successful in recruiting and enrolling New Mexico high school graduates. The 2016 Fall undergraduate enrollment of New Mexico students is 84 percent.

Research

Research expenditures are not affected by the state budget, but they are highly dependent on the federal budget.

Research continues to provide a public service to the community and enhances the educational experience for students. By the time they graduate, most students have hands-on experience in their major field of study because of the research programs at New Mexico Tech. This is an important discriminator for employers that seek students with valuable research experience, and it is provided by only a select few universities in the world. Our students have an advantage when they go into the workforce. The effort pays off with the vast number of students finding employment in their chosen field of study.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

Year Ended June 30, 2016

Currently Known Facts – Continued

Research – Continued

NMIMT's Incurred Cost Audit report shows that externally funded research activity has declined significantly since FY 2011. Research universities around the country have reported similar results as federal research budgets have continued to decline, as indicated below (in thousands):

FY16	\$	48,789
FY15		58,975
FY14		67,762
FY13		64,484
FY12		70,182
FY11		89,011

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

The Petroleum Research and Recovery Center is also funded via the RPSP budget. However, a U.S. Department of Energy carbon sequestration project has been in place for several years, but the phased project has been tapering down, and its expenditures decreased from a high of \$14.3 million in FY 2014 to \$4.56 million in FY 2016.

The Energetic Materials Research and Testing Center (EMRTC) research programs decreased from \$29 million in FY 2015 to \$22 million in FY 2016. The \$22 million training program with Homeland Security was renewed and will go into effect October 2016. It is a premier training program for first responders in the United States.

In May 2016, a major milestone was reached at the Magdalena Ridge Observatory Interferometer (MROI) when the first of ten telescopes was installed at the Observatory, perched at 10,460 feet on the Magdalena Mountains west of Socorro, New Mexico. This telescope will be the centerpiece of an optical ten-telescope array that is designed to view the universe in both optical and infrared wavelengths.

The Magdalena Ridge Observatory interferometer is still under construction, but completion is expected to be on schedule. The single telescope is operational and has participated in many astronomical projects. Funds for the interferometer from 2012 from New Mexico Tech Revenue Bond funds to equip and construct the facility have been exhausted, but MROI was awarded a \$25 million, five-year contract from the United States Air Force Research Lab to continue advancing the project.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

Year Ended June 30, 2016

Economic Outlook

The economic outlook for New Mexico Tech continues to be closely monitored by the administration. Decisions by the NMT administration are dependent on actions taken by the state and federal government. Proactive financial and budget actions were taken early in the global economic downturn to reduce budgets. The result of adjusting the NMT base during the economic downturn of prior years is reflected in NMT's ability to continue to grow and thrive in the current year. Recent revenue forecasts for the State of New Mexico continue to project declines in state revenue, based largely on decreasing oil and gas prices. The state's 7.4% appropriation cuts to the University for FY 16-17 were somewhat offset by a 5% increase in tuition. Funding for higher education will be offset by continued increased operational costs and unfunded mandates placed on higher education by all levels of government, students and those served by colleges and universities. The New Mexico Tech staff has been very cooperative in managing their departmental budgets. The staff has picked up additional duties to continue to provide a quality educational experience for our students through ongoing student support services and facilities.

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

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

The New Mexico Tech Admission Office has increased its recruitment efforts in states such as Texas, California and Arizona. 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 continues to reach its goal of being recognized as a Hispanic Serving Institution. By qualifying as a Hispanic Serving Institution, additional research and grants, plus other funding opportunities, are available to New Mexico Tech.

Total entering first-time freshmen for the school year 2015-16 were 338 compared to 285 last year.

Requests for Information

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

New Mexico Institute of Mining and Technology

STATEMENT OF NET POSITION

June 30, 2016

	Institute	Component Units	
		Research Park	Foundation
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 44,066,758	\$ 77,404	\$ 335,090
Short-term investments	18,335,931	-	20,387,650
Contract and grant billed and unbilled receivables	7,967,757	-	-
Student accounts receivable, net of allowance for doubtful accounts of \$407,649	431,667	-	-
General obligation bond cost-reimbursement and other accounts receivable	1,703,531	-	-
Inventories	1,353,118	-	-
Other assets	2,179,074	78,986	183,170
Total current assets	76,037,836	156,390	20,905,910
Noncurrent Assets			
Restricted cash and cash equivalents	105,051	-	-
Endowment investments	41,223,173	-	3,391,072
Other long-term investments	16,603,886	3,432,631	674,271
Assets held by others	27,681,687	-	-
Capital assets, net of accumulated depreciation	156,056,515	-	1,805,809
Total noncurrent assets	241,670,312	3,432,631	5,871,152
Total assets	317,708,148	3,589,021	26,777,062
Deferred Outflows of Resources			
Employer pension contributions	5,010,002	-	-
Change in actuarial assumptions and employer proportion of net pension liability	2,872,525	-	-
Total deferred outflows of resources	\$ 7,882,527	\$ -	\$ -

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

STATEMENT OF NET POSITION – CONTINUED

June 30, 2016

	Institute	Component Units	
		Research Park	Foundation
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 5,117,838	\$ -	\$ 126,082
Bonds payable, current portion	500,000	-	-
Accrued compensated absences - current portion	3,849,577	-	-
Due to primary government	-	-	17,492
Bond premium, net of accumulated amortization	40,688	-	-
Deposits	190,755	-	-
Unearned revenue	881,367	-	-
Total current liabilities	10,580,225	-	143,574
Noncurrent Liabilities			
Accrued compensated absences, net of current portion	3,775,148	-	-
Bonds payable, net of current portion	11,075,000	-	-
Bond premium, net of accumulated amortization	574,025	-	-
Net other post-employment benefits obligation	8,474,287	-	-
Net pension liability	84,363,804	-	-
Other noncurrent liabilities	5,434,223	-	2,193,370
Total noncurrent liabilities	113,696,487	-	2,193,370
Total liabilities	124,276,712	-	2,336,944
Deferred inflows of resources			
Changes in pension actuarial and investment experience and proportion of total employer net pension liability	6,012,829	-	-
Total deferred inflows of resources	6,012,829	-	-
NET POSITION			
Net investment in capital assets, less related debt	144,366,802	-	1,805,809
Restricted for			
Nonexpendable			
Endowments and all other nonexpendable	75,203,250	-	3,391,072
Expendable			
Scholarships, research, instruction, and other	7,310,470	-	605,036
Other post-employment benefits (deficit)	(5,730,204)	-	-
Loans	1,905,203	-	-
Capital projects	231,086	-	-
Debt service	778,675	-	-
Unrestricted net position (deficit)	(28,764,148)	3,589,021	18,638,201
Total net position	\$ 195,301,134	\$ 3,589,021	\$ 24,440,118

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

New Mexico Institute of Mining and Technology

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2016

	Institute	Component Units	
		Research Park	Foundation
OPERATING REVENUES			
Tuition and fees	\$ 15,090,154	\$ -	\$ -
Tuition discounts and allowances	(4,014,182)	-	-
Federal grants and contracts	33,501,291	-	-
State and local grants and contracts	2,550,224	-	-
Private grants and contracts	9,334,068	-	-
Other grants and contracts	2,809,579	-	-
Sales and services of auxiliary enterprises	6,209,359	-	-
Auxiliaries scholarship allowances	(1,273,650)	-	-
Other	8,482,969	-	97,663
Total operating revenues	72,689,812	-	97,663
EXPENSES			
Instruction and general			
Instruction	16,910,440	-	-
Institutional support	7,595,564	-	-
Operations and maintenance support	5,897,698	-	-
Student services	2,062,149	-	-
Academic support	2,094,503	-	-
Other sponsored activities	28,969,526	-	-
Research	19,055,014	-	-
Student aid grants and stipends	13,865,461	-	971,596
Expense related to tuition discounts and allowances	(4,014,182)	-	-
Depreciation and amortization	10,229,707	-	71,320
Auxiliary enterprises	5,153,379	-	-
Other expenditures	8,579,550	3,044	513,670
Independent operations	4,470,427	-	849,591
Plant funds	4,620,663	-	-
Public service	632,280	-	-
Other post-employee benefits expense, net	1,704,101	-	-
Pension expense	4,071,321	-	-
Expense related to auxiliary discounts and allowances	(1,273,650)	-	-
Total operating expenses	130,623,951	3,044	2,406,177
Operating loss	(57,934,139)	(3,044)	(2,308,514)

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

New Mexico Institute of Mining and Technology

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

Year Ended June 30, 2016

	Component Units		
	Institute	Research Park	Foundation
NONOPERATING REVENUES			
State appropriations	\$ 38,793,021	\$ -	\$ -
Gifts	1,173,421	-	-
Interest and investment income (loss), net	273,124	(276,769)	717,801
Net nonoperating revenues	40,239,566	(276,769)	717,801
Loss before other revenues and expenses	(17,694,573)	(279,813)	(1,590,713)
OTHER REVENUES AND CAPITAL ITEMS			
Other revenues	8,610,406	-	49,891
Additions to permanent endowments	1,563,934	-	1,242,446
State land grant permanent fund income	759,517	-	-
Capital project appropriations from state issued bonds and other	3,886,291	-	-
Net other revenues	14,820,148	-	1,292,337
Net decrease in net position	(2,874,425)	(279,813)	(298,376)
Net position, beginning of year before restatement	197,108,076	3,868,834	24,738,494
Prior period restatement	1,067,483	-	-
Net position, beginning of year after restatement	198,175,559	3,868,834	24,738,494
Net position, end of year	\$ 195,301,134	\$ 3,589,021	\$ 24,440,118

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

New Mexico Institute of Mining and Technology

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

	Component Units		
	Institute	Research Park	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES			
Tuition and fees	\$ 11,438,763	\$ -	\$ (971,596)
Grants and contracts	49,782,734	-	-
Sales and services of auxiliary enterprises	4,935,709	-	-
Other receipts	9,706,531	-	128,730
Payments to employees	(63,003,263)	-	-
Payments to suppliers	(58,564,940)	-	-
Other sources	-	(61,057)	(832,099)
Net cash (used in) operating activities	(45,704,466)	(61,057)	(1,674,965)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State appropriations	38,793,021	-	-
Gifts for other than capital purposes	1,173,421	-	-
Other nonoperating receipts	8,774,179	-	-
Net cash provided by noncapital financing activities	48,740,621	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(9,003,217)	-	-
Payments of principal on bond obligations	-	-	-
Payments of interest on bond obligations	(40,688)	-	-
Capital project appropriations from state issued bonds and other	3,886,291	-	-
Net cash (used in) capital and related financing activities	(5,157,614)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of investments, net	-	-	1,619,139
Additions to endowments	(131,653)	-	1,812,029
Unrealized gain on land grant permanent fund	(1,253,752)	-	-
Distributions received from land grant permanent fund	759,517	-	-
Investment purchases	1,104,500	-	(1,227,015)
Cash received for notes receivable, net	-	-	113,869
Investment income	273,124	-	(481,618)
Net cash provided by investing activities	751,736	-	1,836,404
Net (decrease) increase in cash and cash equivalents	(1,441,099)	(61,057)	161,439
Cash and cash equivalents, beginning of year, as restated	45,612,908	138,461	173,651
Cash and cash equivalents, end of year	<u>\$ 44,171,809</u>	<u>\$ 77,404</u>	<u>\$ 335,090</u>
Cash and cash equivalents			
Unrestricted	\$ 44,066,758	\$ 77,404	\$ 335,090
Restricted	105,051	-	-
Total	<u>\$ 44,171,809</u>	<u>\$ 77,404</u>	<u>\$ 335,090</u>

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

New Mexico Institute of Mining and Technology

STATEMENT OF CASH FLOWS – CONTINUED

Year Ended June 30, 2016

	Institute	Component Units	
		Research Park	Foundation
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH USED BY OPERATING ACTIVITIES			
Operating (loss) income	\$ (57,934,139)	\$ (3,044)	\$ (2,308,514)
Adjustments to reconcile operating (loss) income to net cash used by operating activities			
Depreciation and amortization expense	10,229,707	-	71,320
Prior period restatement - OPEB related expense	1,067,483	-	-
Net pension expense	10,008,440	-	-
Deferred employer pension contributions	(87,554)	-	-
Employer pension actuarial assumptions and employer proportion of net pension liability	(2,872,725)	-	-
Employer pension actuarial and investment experience and proportion of total employer net pension liability	(7,986,843)	-	-
Net OPEB expense	3,380,707	-	-
Loss (gain) on sale of assets	2,212,587	-	(38,191)
Changes in assets and liabilities			
Student accounts receivable	50,265	-	-
Inventories	(111,059)	-	-
Other assets	320,961	-	153,000
Contract and grant billed and unbilled receivables	1,685,619	-	-
General obligation cost-reimbursement and other receivables	1,223,562	-	-
Accounts payable and accrued expenses	(6,614,698)	-	98,676
Other liabilities	(98,047)	-	332,759
Student and other deposits	(8,435)	-	-
Compensated absences	(294,107)	-	-
Other payables	123,810	(58,013)	15,985
Net cash used in operating activities	<u>\$ (45,704,466)</u>	<u>\$ (61,057)</u>	<u>\$ (1,674,965)</u>

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

New Mexico Institute of Mining and Technology

STATEMENT OF FIDUCIARY NET DEFICIT AVAILABLE FOR BENEFITS

Year Ended June 30, 2016

ASSETS	
Cash	\$ 998,746
Other receivables	108,750
Short-term investments	916,240
Other long-term investments	<u>1,293,002</u>
Total assets	3,316,738
LIABILITIES	
Accounts payable and accrued liabilities	572,655
Net other post-employment benefits obligation	<u>8,474,287</u>
Total liabilities	<u>9,046,942</u>
NET DEFICIT AVAILABLE FOR BENEFITS	<u>\$ (5,730,204)</u>

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

New Mexico Institute of Mining and Technology

**STATEMENT OF CHANGES IN FIDUCIARY NET DEFICIT
AVAILABLE FOR BENEFITS**

Year Ended June 30, 2016

INCREASE IN FIDUCIARY NET POSITION ATTRIBUTED TO:	
Employer contributions	\$ 3,628,635
Employee contributions	4,936,193
Investment income	29,580
Other revenue	<u>6,200</u>
Total revenues	8,600,608
DECREASE IN FIDUCIARY NET POSITION ATTRIBUTED TO:	
Claims expense, net of stop-loss refunds of \$111,774 in 2016	5,312,006
Net other post-employment benefits expense	3,380,704
Insurance premiums	1,217,383
General and administrative	<u>394,618</u>
Total expenses	<u>10,304,711</u>
Net decrease in fiduciary net (deficit) available for benefits	(1,704,103)
Fiduciary net (deficit) available for benefits, beginning of year	<u>(4,026,101)</u>
Fiduciary net (deficit) available for benefits, end of year	<u><u>\$ (5,730,204)</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

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

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

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

2. Basis of Presentation

The Institute and its component units present their financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). The statement presentation required by GASB Statement 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities — an amendment of GASB Statement No. 34*, provides a comprehensive entity-wide perspective of the Institute's assets, liabilities, and net position, revenues, expenses and changes in net position, and cash flows.

The Institute has adopted GASB Statement 39, *Determining Whether Certain Organizations Are Component Units — an amendment of GASB Statement 14*, and GASB Statement 61, *The Financial Reporting Entity: Omnibus — an amendment of GASB Statements No. 14 and No. 34*. GASB Statement 39 provides additional guidance to determine whether certain organizations for which the Institute is not financially accountable should be reported as discretely presented component units based on the nature and significance of their relationship with the Institute. GASB Statement 61 modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for blending component units within the primary government in certain circumstances. As required by GASB Statements 14, 39, and 61, these basic financial statements present the Institute and its component units.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis of Presentation – Continued

The significant accounting policies are summarized in Note A and include accounting standards adopted in recent years as detailed below.

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

The Institute implemented Governmental Accounting Standards Board Statement No. 63 “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*” (GASB 63). Deferred outflows of resources consumed and deferred inflows of resources received and available are now included in the elements that make up a statement of net financial position reporting the residual of all elements in a statement of financial position. The statement of financial position of the Institute conforms to the presentation requirements of GASB 63.

The Institute implemented Governmental Accounting Standards Board Statement No. 65 “*Items Previously Reported as Assets and Liabilities*” (GASB 65), which changes the classification of various financial statement balances including several more common type transactions to deferred outflows and inflows of resources. There were deferred outflows and inflows of resources to separately report at June 30, 2016.

The Institute implemented Governmental Accounting Standards Board Statement No. 72 “*Fair Value Measurements and Application*” (GASB 72), which requires certain assets and liabilities to be measured at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement is effective for periods beginning after June 15, 2015.

The Institute implemented Governmental Accounting Standards Board Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2)

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis of Presentation – Continued

emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. This Statement is effective for FY 2016, and should be applied retroactively.

The Institute early adopted Governmental Accounting Standards Board Statement No. 79 *Certain External Investment Pools and Pool Participants* (GASB 79), to address changes in the regulatory provisions referenced by previous accounting and financial reporting standards for certain external investment pools and their participants. Those provisions were based on the Investment Company Act of 1940, Rule 2a7 whereby external investment pool investments were measured at amortized cost. Rule 2a7 contains the Securities and Exchange Commission's (SEC) regulations that apply to money market funds and the SEC essentially eliminated Rule 2a7 in 2014. GASB 79 provides for continuation of amortized cost accounting and reporting for external investment pools such as the Local Government Investment Pool (LGIP), which is a 2a7-like pool, instead of converting to fair value measurement. The New Mexico State Treasurer has elected to early implement GASB 79 and its participants qualify for accounting for the investment pool at amortized cost which approximates fair value. This statement is effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015, and early application is encouraged.

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 manifestations of this ability 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 or fiduciary relationships, regardless of whether the Institute is able to exercise oversight responsibilities. As required by U.S. GAAP, these basic financial statements present the Institute and its component units.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis of Presentation – Continued

The following entities are presented in the financial statements as component units based on criteria as set forth in GASB Statements 14, 39, and 61:

Discretely Presented Component Units

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 Corporation are included in these financial statements as discretely presented component units.

The New Mexico Tech Research Foundation (the Foundation) is a New Mexico not-for-profit corporation located in Socorro, New Mexico. The Foundation is organized to solicit, receive, hold, invest, and transfer funds to the New Mexico Institute of Mining and Technology by making available funds for institutional support, scholarships, and other benefits. The Foundation has no component units.

The inclusion of the assets, liabilities, and net income of the Foundation as a discretely presented component unit of the Institute, for accounting purposes only, has been directed by generally accepted accounting principles as applied to governmental units. 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 appointed by the Institute and is made up of five members with no employment relationship with the Institute and only one member with an employment relationship.

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 assist the Institute by making available funds to pursue technology research and other programs being carried out by the Institute. The Corporation has no component units. The Institute is the sole member of the Corporation and appoints the board of the Corporation.

Blended Component Unit

New Mexico Institute of Mining and Technology Employee Benefit Trust (the Trust) is a single-employer benefit plan organized as a legally formed trust that is tax exempt under section 501(c)(9) of the Internal Revenue Code. The trust was established to provide a funding vehicle to which participants and the Institute contribute to prefund, in part, the cost of other postemployment benefits for eligible retirees of the Institute. The Trust is the fiduciary fund presented in the financial statements.

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basis of Accounting

For financial reporting purposes, the Institute is considered a special-purpose government engaged only in business-type activities in conformity with accounting principles generally accepted in the United States of America. Accordingly, the Institute's primary institution financial statements have been presented in a single column using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-entity transactions have been eliminated.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Government Accounting Standards Board (GASB) and the Higher Education Department's Financial Reporting for Public Institutions in New Mexico.

4. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include the following:

- a) Claims incurred but not reported liability (IBNR)
- b) Net other postemployment benefits (OPEB) obligation
- c) Unfunded accrued actuarial liability (UAAL) for postemployment benefits
- d) Depreciation
- e) Tuition discounts and allowances
- f) Environmental cleanup liability reserves
- g) Incurred cost rate audit adjustments
- h) Fair value measurements on investments.

5. Budgetary Basis and Control

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Budgetary Basis and Control – Continued

Procedures for Approval of Operating Budgets

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

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

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; (4) within the plant funds budget, the items of budgetary control are major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service; and (5) each individual item of transfer between funds and/or functions. 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.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and current investments, which are defined as investments that are readily convertible to cash or reach their original maturity date within three months. Cash restricted by grants, and collected for auxiliary projects is included in cash and cash equivalents. The Institute accounts for its investments at fair value in accordance with GASB Statement No. 31, *Certain Investments and External Investment Pools* and GASB No. 72, *Fair Value Measurement and Application*.

7. Restricted Cash and Cash Equivalents

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

8. Investments

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 was amended to incorporate the provisions of the Uniform Prudent Investor Act, NMSA 45-7 (601-612) by Board Resolution during December 2013. The Institute plans to adopt the State of New Mexico Uniform

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Investments – Continued

Prudent Management of Institutional Funds Acts (Chapter 46, Article 9A NMSA 1978) in accounting for net appreciation/depreciation of endowments. The Institute accounts for its investment portfolio at the fair market value on June 30 of each fiscal year.

Stocks, bonds, real estate held for sale or investment, and similar investments are generally reported at fair value. The basis of determining the fair value of investments is the readily determinable sales price or current exchange rate of the investments based on prices or quotations from over-the-counter markets. In the case of pooled funds or mutual funds, the fair value is determined as the number of units held in the fund multiplied by the price per unit share as publicly quoted. The income from the Institute's interest in the Land Grant Permanent Fund, which interests are managed by the New Mexico State Investment Council, is distributed monthly to the Institute.

Assets held by others, which are neither in the possession of nor under the control of the Institute, are reflected in the accompanying basic financial statements. These assets consist of the Institute's share of the New Mexico Land Grant Permanent Fund which is held at the New Mexico State Investment Council on behalf of the New Mexico State Land Office.

9. Endowment Income

The Institute accounts for its investment portfolio at fair market value on June 30 of each fiscal year. Endowment income is reported each year based on the fair market value of the investments. The investments are managed on a total return basis with 4.5% of the average five-year market value being made available for expenditure, and the remaining returns retained in the funds to compensate for inflationary growth. In the case of reserves, allocated, and agency funds, the total returns will remain with the funds until these funds are appropriated to be expended for the purposes for which they were established. Unrestricted capital gains reported for the endowment fund pooled investments for fiscal year ending June 30, 2016, were \$1,335,776. Endowment income made available for distribution for the established purpose was \$1,269,312.

10. Inventories

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

11. Income Taxes

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Income Taxes – Continued

Foundation and Research Park Corporation are both exempt from taxes under Section 501(c)(3) of the Internal Revenue Code for their normal activities not unrelated to their exempt purpose. The Employee Benefit Trust is also exempt from taxes under Section 501(c)(9) of the Internal Revenue Code for their normal activities not unrelated to their exempt purpose.

12. Accounts Receivable

The Institute records student tuition and fees and student accounts receivable at rates established at the time a student registers for classes. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the Institute's grants and contracts. A provision for uncollectible student accounts is recorded to maintain an adequate allowance for anticipated losses. The allowance for doubtful accounts includes consideration for the credit risk associated with the various receivables. There were no accounts receivable due from the Federal, state and local governments or private sources deemed to be uncollectible.

13. Other Receivables

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

14. Other Assets

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

15. Noncurrent Cash and Investments

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

16. Capital Assets

This represents the Institute’s capital assets less depreciation, net of any outstanding debt obligations related to those capital assets. Capital assets are defined as tangible or intangible assets that are used in operations and have a useful life beyond a single reporting period. The Institute has bond obligations related to capital assets for 2016 (see Note F).

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

Depreciation on all assets is provided on the straight-line basis over estimated useful lives with no salvage value. Estimated useful lives and capitalization thresholds of capital assets are as follows:

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

17. Compensated Absences

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

18. Unearned Revenue

Revenue for each academic session is reported within the fiscal year during which the session is completed. Revenues for the summer session starting in May 2016 are shown as unearned revenue in the accompanying financial statements since the session was not completed at June 30, 2016.

19. Noncurrent Liabilities

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

20. Net Position

The Institute's net position is classified as follows:

Net Investment in Capital Assets: Net investment in capital assets represent the Institute's capital assets, less related accumulated depreciation and debt attributable to the acquisition, construction, or improvement of these assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. The Institute has outstanding bond obligations of \$11,575,000 for purposes of constructing a dormitory and an educational building.

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

Restricted Net Position – Expendable: Expendable restricted net position include resources which the Institute is obligated to spend in accordance with restrictions imposed by external parties. Restrictions imposed on asset use can be imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation, which includes a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party to use resources created by enabling legislation only for purposes specified by the legislation. The amount of net position restricted by enabling legislation and the amount of restricted net position from state sources was \$0 at June 30, 2016.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

20. Net Position – Continued

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

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

21. Revenues and Revenue Recognition

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

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) most federal, state and local grants and contracts, and Federal appropriations, and (3) interest on institutional student loans.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, investment income, bond proceeds appropriations and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 34.

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

The Institute received an annual state General Fund appropriation of \$38,761,800 for fiscal year 2016, under the General Appropriation Act of 2015. In general, unexpended state appropriations to the Institute do not revert at the end of each fiscal year (NMSA 1978 6-4-2). The appropriation was fully spent during the year. There is no remaining balance to bring forward to fiscal year 2017.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

21. Revenues and Revenue Recognition – Continued

The Institute periodically receives severance tax and general obligation bond appropriations for capital asset projects on the campus. Bond revenue from these appropriations is recorded only when eligibility requirements have been met. The eligibility requirements for capital projects financed by bonds are satisfied when all required documentation to support a drawdown of a bond fund is submitted and approved by the Board of Finance. See Supplementary Schedule 6 for details of current year bond activity and amounts remaining.

The Institute is a beneficiary of the Ferguson legislation (1898) whereby lands of the State of New Mexico were allocated to the benefit of state educational institutions including income derived there from. NMSA 1978 19-1-17 is the enabling legislation to allocate specific lands to educational institutions including the Institute. Currently oil and gas royalties, coal royalties, and grazing fees produce investment income which is distributed monthly to beneficiaries based on their allocated lands.

22. Classification of Expenses

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

Operating expenses: Operating expenses include activities that have the characteristics of exchange transactions, such as (1) employee salaries, benefits, and related expenses; (2) utilities, supplies, and other services; (3) professional fees; (4) depreciation expenses related to Institute property, plant, and equipment, (5) pension and other postemployment benefit costs, and (6) all other cash flow from transactions that do not result from transactions defined as capital and related financing, noncapital financing.

Non-operating expenses: Non-operating expenses include activities that have the characteristics of non-exchange transactions that are consistently applied as non-operating expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 34.

23. Fiduciary Funds

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

24. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

25. Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform with the 2016 presentation.

26. Subsequent Events

Subsequent events have been evaluated through November 11, 2016, the date which the financials were available to be issued, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2016. Management believes no other material subsequent events have arisen that would require adjustment or disclosure.

NOTE B – CASH AND INVESTMENTS

1. Cash

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

A detail of the cash accounts at June 30, 2016 is included below:

New Mexico Institute of Mining and Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – CASH AND INVESTMENTS – CONTINUED

1. Cash - Continued

<u>Name of Depository</u>	<u>Account Name</u>	<u>Bank Account Type</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Bank of America	IERA Cash on Deposit	Checking	\$ 7,715	\$ -	\$ 7,715
First State Bank	Comptroller Cash on Deposit	Checking	43,246,950	45,408	43,292,358
First State Bank	Payroll Cash on Deposit	Checking	197,969	(649,207)	(451,238)
First State Bank	NMEAF Cash on Deposit	Checking	90,189	14,862	105,051
Wells Fargo	Vendor Cash on Deposit	Checking	1,168,975	(973,222)	195,753
Wells Fargo	Employee Ben. Trust Operating	Checking	1,001,004	(3,343)	997,661
Wells Fargo	Employee Ben. Trust Claims	Checking	80,567	(79,482)	1,085
			45,793,369	(1,644,984)	44,148,385
	Petty Cash	Cash	-	-	23,424
			<u>\$ 45,793,369</u>	<u>\$ (1,644,984)</u>	<u>\$ 44,171,809</u>

2. Custodial Credit Risk - Cash

Custodial credit risk is the risk that in the event of a bank failure, the Institution's deposits may not be returned to it. The Institution does not have a deposit policy for custodial credit risk. As of June 30, 2016, the Institute's custodial credit risk was as follows:

Bank balance insured or collateralized:	
In the Primary Government's name	\$ 45,793,369
Uninsured and uncollateralized	<u>-</u>
	<u>\$ 45,793,369</u>

3. Investments

The Institute participates under a joint powers agreement in an Investment Pool (Pool) with the New Mexico State Investment Council (Council). Monies of the Institute are pooled and invested by the Council in various debt and equity securities. 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – CASH AND INVESTMENTS – CONTINUED

3. Investments – Continued

The Institute also has investments in the State Treasurer's external investment pool (the Local Government Investment Pool or LGIP). The State Treasurer's interpretation of GASB 31, as amended by GASB 79, is that LGIP currently meets all of the necessary criteria to elect to measure all of the investments in LGIP at amortized cost. The investments are valued at amortized cost which approximates fair value. The investment's value is based on quoted market prices as of the valuation date. The LGIP is not SEC registered. Section 6-10-10, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The 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 LGIP is voluntary and the Institute has no control over the State Treasurer's investment pools.

Investments of the Institute consist of the following at June 30, 2016:

	<u>Market Value</u>
Short-term	\$ 18,336,498
Endowments	41,222,606
Other long-term	16,603,886
Land Grant Permanent Fund	<u>27,681,687</u>
 Total	 <u>\$ 103,844,677</u>

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

As the Institute's investment in LGIP is under \$30 million, the Trust's only limitation on its balance may be withdrawn within 24 hours of notice to the NMSTO.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – CASH AND INVESTMENTS – CONTINUED

4. Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Institute does not have custodial credit risk policies for investments and does not have investments subject to custodial credit risk.

An acceptable method of reporting interest rate risk is the Weighted Average Maturity (WAM).

The Institute has no control over the State Treasurer's Investment pools and provides the following disclosure provided by the State Treasurer's Office concerning the Institute's investment in the New Mexico LGIP:

New Mexico LGIP	AAAm rated	\$18,235,931	44 day WAM(R) and 77 day WAM (F)
-----------------	------------	--------------	----------------------------------

5. Credit Risk

Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. The Institute is required to disclose credit ratings of their debt investments in order to assess credit risk. U.S. obligations, investments explicitly guaranteed by the U.S. Government, and non-debt investments are excluded from this requirement. Currently, the Institute does have a policy that restricts investments to specific investment ratings issued by nationally recognized statistical rating organizations. The policy states that cash equivalent reserves shall consist of interest bearing or discount instruments of the U.S. Government or agencies thereof; money market funds, corporate discounted instruments, corporate issued commercial paper rated at least A-1 by Moody's, time deposits in 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 Institute's investments at June 30, 2016, and its exposure to credit risk are as follows:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – CASH AND INVESTMENTS – CONTINUED

5. Credit Risk – Continued

Investments	Years	Rating	Value
<i>Items subject to credit risk:</i>			
Money market funds	-	Not rated	\$ 129,583
Debt securities	3.82	A-AAA	691,297
Government securities	6.00	AA+	2,424
State Treasurer - LGIP	0.12	AAAm	18,235,931
<i>Investments not subject to categorization</i>			
State Investment Council pooled funds	-	Not rated	<u>54,337,309</u>
Total items subject to credit risk			73,396,544
<i>Items not subject to credit risk:</i>			
Certificates of deposit			100,000
Mutual funds			264,621
Common stocks			2,401,825
Land Grant Permanent Fund			<u>27,681,687</u>
Total items not subject to credit risk			<u>30,448,133</u>
Total investments			<u>\$103,844,677</u>

6. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Institute does not have a formal policy to limit its exposure to interest rate risk.

A summary of the investments and their respective maturities at June 30, 2016, and their exposure to interest rate risk are as follows:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – CASH AND INVESTMENTS – CONTINUED

6. Interest Rate Risk – Continued

	Investment Maturities				Fair Value
	Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years	
<i>Items subject to interest rate risk:</i>					
Money market funds	\$ 129,583	\$ -	\$ -	\$ -	\$ 129,583
U.S. Government and corporate debt securities	-	572,885	120,836	-	693,721
State Treasurer LGIP	18,235,931				18,235,931
	<u>\$ 18,365,514</u>	<u>\$ 572,885</u>	<u>\$ 120,836</u>	<u>\$ -</u>	19,059,235
Investments not subject to categorization					
State Investment Council					
Pooled fund					54,337,309
					<u>73,396,544</u>
<i>Items not subject to interest rate risk:</i>					
Common stocks					2,401,825
Mutual funds					264,621
Certificates of deposit					100,000
Land Grant Permanent Fund					27,681,687
					<u>\$103,844,677</u>

7. Fair Value Measurements

During fiscal year 2016, the Institute adopted the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which establishes fair value standards for certain investments held by governmental entities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – CASH AND INVESTMENTS – CONTINUED

7. Fair Value Measurements – Continued

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

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

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

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2016.

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

During 2016, the Institute used quoted market prices in an active market to determine the fair value of debt and equity securities and mutual funds. These measurements are classified within Level 1 of the fair value hierarchy. The Institute uses the classifications of investment pools provided by the SIC. These measurements are classified within levels of the fair value hierarchy as follows:

- Investments in the Large Cap Active Pool – Level 1
- Investments in the Large Cap Index Pool (Investments are in a commingled fund) – Level 2
- Investments in Small/Mid Cap Active Pool – Level 1
- Investments in Non US Developed Markets Index Pool – Level 1
- Investments in Non US Emerging Markets Index Pool – Level 1
- Investments in Core Plus Bonds Pool – Level 2
- Investments in Credit & Structured Finance Pool, Real Estate Pool, Absolute Return Pool and Private Equity Pool – Level 3

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – CASH AND INVESTMENTS – CONTINUED

7. Fair Value Measurements – Continued

Certificates of deposit and the State Treasurer LGIP are excluded from fair value accounting and are recorded in the financial statements at amortized cost. None of these approaches changed from previous periods.

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

The following table presents the fair value measurements of assets and liabilities at June 30, 2016.

	Fair Value	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At June 30, 2016				
Held at Morgan Stanley and Scottrade investment accounts				
Marketable common stocks:	\$ -	\$ -	\$ -	\$ -
Technology	604,097	604,097	-	-
Services	564,477	564,477	-	-
Healthcare	332,435	332,435	-	-
Financial	296,970	296,970	-	-
Industrial Goods	240,281	240,281	-	-
Basic Materials	176,812	176,812	-	-
Consumer Goods	151,313	151,313	-	-
Utilities	35,440	35,440	-	-
Money market funds	129,918	129,918	-	-
Debt Securities	694,287	694,287	-	-
Mutual Funds	264,054	264,054	-	-
Investments held with the New Mexico State Investment Council (SIC) pooled funds:				
Core Plus Bonds Pool	31,216,728	-	29,947,416	-
Large Cap Index Fund	22,895,337	-	24,164,649	-
Non US Developed Market Index Pool	90,967	90,967	-	-
Small/Mid Cap Active Pool	134,277	134,277	-	-
State Land Grant Permanent Fund	27,681,687	-	-	27,681,687
	<u>\$ 85,509,080</u>	<u>\$ 3,715,328</u>	<u>\$ 54,112,065</u>	<u>\$ 27,681,687</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – CASH AND INVESTMENTS – CONTINUED

7. Fair Value Measurements – Continued

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

<u>2016</u>	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
SIC Non-US Developing	90,967	Daily	Five business days
SIC Mid/Small Cap	134,277	Daily	Five business days
SIC Large Cap Index Fund	22,895,337	Daily	Five business days
SIC Core Plus Bond Fund	31,216,728	Daily	Five business days

NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2016:

Grant and contracts billed and unbilled	\$ 7,967,757
Student accounts	839,316
Due from state agencies	1,074,678
Other receivables	<u>628,853</u>
Total receivables	10,510,604
Allowance for doubtful accounts	<u>(407,649)</u>
Total accounts receivable billed and unbilled, net	<u>\$ 10,102,955</u>

New Mexico Institute of Mining and Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE D – CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
Land	\$ 4,334,219	\$ -	\$ -	\$ -	\$ 4,334,219
Construction in progress	5,089,052	5,921,878	(931,407)	(1,258,035)	8,821,488
Total assets not being depreciated	<u>\$ 9,423,271</u>	<u>\$ 5,921,878</u>	<u>\$ (931,407)</u>	<u>\$ (1,258,035)</u>	<u>\$ 13,155,707</u>
Non-major infrastructure networks	\$ 30,245,908	\$ 608,384	\$ -	\$ (442,392)	\$ 30,411,900
Land improvements	6,206,949	95,826	-	-	6,302,775
Buildings	190,518,410	227,197	-	(1,217,563)	189,528,044
Furniture, fixtures, and equipment	46,468,048	1,853,732	-	(1,199,246)	47,122,534
Software	1,745,277	-	-	-	1,745,277
Library materials	18,150,431	1,145,208	-	(20,674)	19,274,965
Total depreciable capital assets	<u>\$ 293,335,023</u>	<u>\$ 3,930,347</u>	<u>\$ -</u>	<u>\$ (2,879,875)</u>	<u>\$ 294,385,495</u>
Non-major infrastructure networks	\$ (12,616,274)	\$ (1,004,768)	\$ -	\$ 7,373	\$ (13,613,669)
Land improvements	(3,008,000)	(201,148)	-	-	(3,209,148)
Buildings	(77,678,069)	(5,421,718)	-	821,488	(82,278,299)
Furniture, fixtures, and equipment	(37,260,987)	(2,569,973)	-	1,075,788	(38,755,172)
Software	(852,406)	(191,339)	-	-	(1,043,745)
Library materials	(11,764,567)	(840,761)	-	20,674	(12,584,654)
Total accumulated depreciation	<u>\$ (143,180,303)</u>	<u>\$ (10,229,707)</u>	<u>\$ -</u>	<u>\$ 1,925,323</u>	<u>\$ (151,484,687)</u>
Capital assets summary					
Capital assets not being depreciated	\$ 9,423,271	\$ 5,921,878	\$ (931,407)	\$ (1,258,035)	\$ 13,155,707
Depreciable capital assets, at cost	293,335,023	3,930,347	-	(2,879,875)	294,385,495
Total cost of capital assets	302,758,294	9,852,225	(931,407)	(4,137,910)	307,541,202
Accumulated depreciation	(143,180,303)	(10,229,707)	-	1,925,323	(151,484,687)
Capital assets, net	<u>\$ 159,577,991</u>	<u>\$ (377,482)</u>	<u>\$ (931,407)</u>	<u>\$ (2,212,587)</u>	<u>\$ 156,056,515</u>

New Mexico Institute of Mining and Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE E – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016 is as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion (Due in 2017)
Non-current liabilities					
Accrued compensated absences	\$ 7,918,832	\$ 3,910,399	\$ (4,204,506)	\$ 7,624,725	\$ 3,849,577
Environmental cleanup	5,310,413	123,810	-	5,434,223	-
Bonds payable	11,575,000	-	-	11,575,000	500,000
Bond premium, net	655,401	-	(40,688)	614,713	40,688
Net pension liability	74,355,364	10,008,440	-	84,363,804	-
Net OPEB obligation	5,093,580	3,380,707	-	8,474,287	-
Total non-current liabilities	<u>\$ 104,908,590</u>	<u>\$ 17,423,356</u>	<u>\$ (4,245,194)</u>	<u>\$ 118,086,752</u>	<u>\$ 4,390,265</u>

1. Environmental Cleanup

As part of the Government's weapons and munitions research and development during the years 1972 to 1992, munitions containing depleted uranium (DU), which is a heavy metal and has very low level radioactivity were tested at the Energetic Materials Research and Testing Center (EMRTC). The Institute's Radioactive Material License issued by the State of New Mexico for possession of the DU requires decommissioning of sites and facilities. The Institute had submitted its claim for breach of express contracts, pursuant to the Contract Disputes Act (CDA) breach of implied contracts, and negligence requiring restoration of property, to the contracting officers of various US government and military related organizations in May 2011. The claim under the CDA was denied on April 13, 2012. A claim was also submitted to Government contracting officers for cleanup of DU at the Institute under the Federal Tort Claims Act. The Government's agency handling the claim did not respond to the claim within the prescribed time which may be deemed by the Institute a final denial of the claim.

NMT/EMRTC elected not to pursue the Tort Claim filed in accordance with the Contract Disputes Act of 1978 for breach of contract, breach of implied contract, negligence, violation of Federal Tort Claims Act (FTCA), equitable claims, and damages. EMRTC determined that costs involved in this activity have little or no probability of being recovered.

The Institute may be liable for all or part of the cleanup cost. The cleanup cost has not been definitely estimated, but preliminary estimates range from approximately \$5,000,000 to \$19,000,000. It is uncertain at the date of these financial statements as to the outcome of the Institute's recovery actions against the United States or the potential cleanup amount that might be ultimately required. The Institute has accrued \$5,434,223 within non-current liabilities as of June 30, 2016.

New Mexico Institute of Mining and Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE F – BONDS PAYABLE

Long-term debt of the Institute at June 30, 2016 consists of revenue bonds. On August 5, 2011, the Institute issued the NMIMT System Revenue Bonds, Series 2011, in the par amount of \$13,395,000, maturing July 2031, and carrying interest rates from 3.00% to 5.00%. These bonds were Board approved in 2011 to fund the acquisition, construction, and equipping of a student housing facility, the construction of facilities to house a telescope and related improvements including the purchase of equipment and furnishings at the Magdalena Ridge Observatory, and other improvements to the facilities of the Institute.

Total Institute revenue bonded debt is as follows:

Capital improvements	3.00-5.00%	<u>\$ 11,575,000</u>

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

June 30,	Principal	Interest
2017	\$ 500,000	\$ 557,350
2018	525,000	537,350
2019	540,000	516,350
2020-2024	3,130,000	2,197,750
2025-2029	3,980,000	1,340,500
2030-2032	<u>2,900,000</u>	<u>294,750</u>
Total	<u>\$ 11,575,000</u>	<u>\$ 5,444,050</u>

The Institute has pledged future net income and net revenues received from Institute-owned Auxiliary Enterprises, housing and other facilities; all gross proceeds of student tuition and fees except student social and cultural activities fees; the gross amount received by the Institute from the income from the Permanent fund and Income fund; and all income or revenues received by the Institute as indirect cost recovery and fixed fee reimbursement from restricted grants and contracts to repay the bond debt. Annual principal and interest payments on the bond are expected to require about 6% of pledged revenues. There was no principal and interest paid for the current year which was prepaid in June 2015. Pledged revenues received was \$16,785,245.

A bond premium of \$614,713 remains unamortized as of June 30, 2016 with \$40,688 being amortized during the year. Amortization of the bond premium in future years is \$40,688 per year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE G – OTHER POSTEMPLOYMENT BENEFITS

Employee Benefit Trust

The Board of Regents authorized the creation of the New Mexico Tech Employee Benefit Trust (Trust), a contributory benefit plan, to operate, control and maintain a program to provide certain health and life insurance benefits to the employees of the Institute and their families. Retired employees may participate in the Plan. The Plan is considered a postemployment benefit plan as defined by GASB 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The Trust is recorded as a fiduciary fund in the accompanying financial statements and as a blended component unit. 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.

Plan Description

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

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

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

For the Trust, at the valuation date of July 1, 2015, there were a total of 178 retirees and 422 active participants.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE G – OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Funding Policy

The Plan and Trust received its initial actuarial valuation during FY 2015. July 1, 2014 was selected as the valuation date. In the July 1, 2015 actuarial valuation, the Institute's plan is considered to be unfunded. However, effective July 1, 2014, the Institute began increasing funding of its OPEB benefits with a Trust in which plan assets are established and dedicated to providing benefits to retirees and beneficiaries in accordance with the terms of the Plan. The Plan assets will be reflected in future actuarial valuations when the net deficit available for benefits is eliminated.

Retiree contributions for medical and dental are required for both retiree and dependent coverage. Retirees are required to pay the full premiums less a subsidy provided by the Institute. Retirees are required to contribute a percentage of the premium based on their preretirement annual salary. The Institute currently funds its plan on a pay-as-you-go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits, and includes all expected claims and related expenses and is offset by retiree contributions. The pay-as-you-go expense of the Institute for fiscal year 2016 was \$930,054, net of retiree contributions.

Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuations, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4% annual discount rate for the Institute. In the July 1, 2015, actuarial valuation, the Plan is considered to be unfunded as there are no assets to fund OPEB benefits on that date, and retiree benefits are expected to be paid annually on a cash basis. Effective July 1, 2014, the Institute increased contribution rates to fund its OPEB benefits. The annual discount rate of 4% is based on the Citigroup Pension Liability Index as of the valuation date. The actuarial valuation assumes an annual healthcare cost trend on an ultimate basis: pre-65 medical benefits/stop loss fees on an ultimate basis of 3.0%, prescription drug benefits on an ultimate basis of 3.0%, administrative fees and dental benefits on an ultimate basis at 3.0%. The unfunded actuarial accrued liability (UAAL) is amortized over the maximum acceptable period of 30 years and is calculated assuming a level dollar basis for each individual active participant through retirement.

New Mexico Institute of Mining and Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE G – OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual Required Contribution of the Institute as of June 30, 2016		\$ 4,390,250
Interest charge on net OPEB obligation		
Net OPEB obligation (asset), beginning of year	\$ 5,093,580	
Investment return rate (current)	4.00%	
Interest charge		203,742
Adjustment to ARC		
Net OPEB obligation (asset), beginning of year	\$ 5,093,580	
Amortization factor (15 years)	0.055606	
Adjustment to ARC		<u>(283,231)</u>
Annual OPEB cost as of June 30, 2016		<u>4,310,761</u>
Plan expenses paid by the Institute on behalf of Retirees during 2016		1,751,267
Retiree contributions during 2016		<u>(821,213)</u>
Net contributions paid by the Institute during 2016		<u>930,054</u>
Increase in Net OPEB obligation		3,380,707
Net OPEB obligation, beginning of year		<u>5,093,580</u>
Net OPEB obligation (asset), at end of year		<u><u>\$ 8,474,287</u></u>

New Mexico Institute of Mining and Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE G – OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Annual OPEB Cost and Net OPEB Obligation – Continued

Normal cost		
As of July 1, 2015	\$ 1,354,443	
With interest to June 30, 2015		\$ 1,408,621
Amortization of UAAL		
Actuarial accrued liability at the valuation date of July 1, 2015	\$ 51,558,423	
Available plan assets	-	
Unfunded actuarial accrued liability	\$ 51,558,423	
Equivalent single amortization period (level dollar, closed)	30 years	
Amortization of UAAL with interest to June 30, 2016		<u>2,981,629</u>
Annual required contribution as of June 30, 2016		<u>\$ 4,390,250</u>
Cumulative sum of annual required contribution from implementation date of July 1, 2014		\$ 5,518,536
Cumulative sum of annual cash contributions from implementation date of July 1, 2014		<u>424,956</u>
Net OPEB obligation (asset) as of July 1, 2015		<u>\$ 5,093,580</u>

NOTE H – CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

The liability for claims and claims adjustment expenses related to the Trust, which is reported on an ultimate development basis, includes an amount for claims incurred but not reported. Estimates of the liability for amounts incurred but not reported as of June 30, 2016, have been based on the Institute's historical claims' experience. While management believes that these estimates are adequate, actual incurred but unpaid claims may vary significantly from the amount provided.

As of June 30, 2016, the changes in reserves for claims and claims adjustment expenses are as follows:

New Mexico Institute of Mining and Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE H – CLAIMS AND CLAIMS ADJUSTMENT EXPENSES – CONTINUED

	<u>2016</u>
Liability for claims and claims adjustment expenses at beginning of year	\$ 494,404
Incurred claims and claims adjustment expenses	5,312,006
Payments, net of recoveries	<u>(5,247,418)</u>
Liability for claims and claims adjustment expenses at end of year	<u>\$ 558,992</u>

NOTE I – TERMINATION PROVISIONS

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

NOTE J – HEALTH BENEFIT PLAN CHANGES

The Trust has been running a deficit because of high Health Benefit claims since the year ended June 30, 2012. The Institute is not legally responsible for the deficit in excess of \$142,000 (See Note I). In response to recently incurred deficits, the plan document was amended and restated effective January 1, 2013. All three of the previous plans were terminated and three new plans were implemented beginning January 1, 2013. The new plans are Preferred Provider Organization (PPO) plans; \$750, \$1,000 and \$1,500 deductible are available for employees. Effective January 1, 2015, PPO Plan I \$750 was terminated and employees are now offered two (PPO) Plans; \$1,000 and \$1,500. It is expected that the two new PPO Plans will be more cost effective over time. During the year ended June 30, 2015, the regents voted to increase employee contribution requirements to the Plan by 16%. For FY 2016, increases to the net deficit available for benefits increased by \$3,380,704. After the recognition of the net OPEB expense, the net increase in net deficit available for benefits deficit was \$8,474,287.

NOTE K – 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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE K – WORKERS’ COMPENSATION INSURANCE – CONTINUED

RMD for this coverage based on premium statements received from RMD. Total premiums for the year ended June 30, 2016, was \$374,500, which has been charged to expenses.

NOTE L – DEFINED BENEFIT RETIREMENT PLAN

Plan Description

The New Mexico Educational Employees Retirement Plan was created by the state’s Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees’ Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state’s public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

Benefits Provided

A member’s retirement benefit is determined by a formula which includes three component parts: the member’s final average salary (FAS), the number of years of service credit, and a 0.0235 multiplier. The FAS is the average of the member’s salaries for the last five years of service or any other consecutive five-year period, whichever is greater. A brief summary of Plan coverage provisions follows:

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member’s age and earned service credit add up to the sum or 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member’s age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member’s accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member’s surviving beneficiary. There are three benefit options available: single life annuity; single life annuity

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE L – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

Benefits Provided – Continued

monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the Plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%.

Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement.

A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement. A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions

The contribution requirements of defined benefit plan members and the Institute are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2016 employers contributed 13.9% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed

New Mexico Institute of Mining and Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE L – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

Contributions – Continued

10.70% of their gross annual salary. The Institute's contributions to the defined benefit plan were \$4,967,756 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. At June 30, 2016, the Institute reported a liability of \$84,363,803 for its proportionate share of the net pension liability. The Institute's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2015. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2015, the Institute's proportion was 1.30246 percent, which was a decrease of 0.00074 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Institute recognized pension expense of \$4,071,321. At June 30, 2016, the Institute reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ -	\$ (1,564,421)
Changes of assumptions	2,901,721	-
Net difference between projected and actual earnings on pension plan investments	-	(382,504)
Changes in proportion and differences between Institute contributions and proportionate share of contributions	(29,196)	(4,065,904)
Institute contributions subsequent to the measurement date	5,010,002	-
	<u>\$ 7,882,527</u>	<u>\$ (6,012,829)</u>

\$5,010,002 reported as deferred outflows of resources related to pensions resulting from Institute contributions subsequent to the measurement date June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized in pension expense as follows:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE L – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

Year ended June 30:	
2017	\$ (2,367,353)
2018	(2,062,984)
2019	114,161
2020	<u>1,175,872</u>
	<u>\$ (3,140,304)</u>

Actuarial assumptions

As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70%. All members with an annual salary of less than \$20,000 will contribute 7.90%.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE L – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

Actuarial assumptions – Continued

Retirement Age	Experience based table rates based on age and service. Adopted by ERB on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment, projected to 2015 using Scale AA (one year setback for females)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan’s target asset allocation for 2015 and 2014 for 30 year return assumptions are summarized in the following table:

<u>Asset Class</u>	2015 Long-Term Expected Real Rate of Return	2014 Long-Term Expected Real Rate of Return
Cash	1.50%	1.50%
Treasuries	2.00%	2.00%
IG Corp Credit	3.50%	3.50%
MBS	2.25%	2.25%
Core Bonds	2.53%	2.53%
TIPS	2.50%	2.50%
High Yield Bonds	4.50%	4.50%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	1.25%
Global Bonds (Hedged)	1.38%	1.38%
EMD External	5.00%	5.00%
EMD Local Currency	5.75%	5.75%
Large Cap Equities	6.25%	6.25%
Small/Mid Cap	6.25%	6.25%
International Equities (Unhedged)	7.25%	7.25%
International Equities (Hedged)	7.50%	7.50%
Emerging International Equities	9.50%	9.50%
Private Equity	8.75%	8.75%
Private Debt	8.00%	8.00%
Private Real Estate	7.75%	7.75%
Real Estate	6.25%	6.25%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	5.50%
Hedge Funds Mod Vol	5.50%	5.50%

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE L – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

Discount Rate

A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2015 and June 30, 2014. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the Institute's proportionate share of the net pension liability to changes in the discount rate

The following table presents the Institute's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Institute's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Institute's proportionate share of the net pension liability	\$ 113,517,133	\$ 84,363,804	\$ 59,871,971

Pension plan fiduciary net position

Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for the year ending June 30, 2015 and 2014, which are publicly available at www.nmerb.org.

Funding Policy

The contribution requirements of plan members and the Institute are established in state statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Institute's contributions to ERB (which include contributions related to the Alternative Retirement Plan) for fiscal years ending June 30, 2016, 2015, and 2014 were \$5,193,709, \$5,135,439, and \$4,728,580, respectively, which is equal to the amount of the required contributions for each fiscal year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE L – DEFINED BENEFIT RETIREMENT PLAN – CONTINUED

Alternative Retirement Plan

Faculty and professional employees of New Mexico public universities and community colleges have the option of participating in the Alternative Retirement Plan (ARP), a defined contribution plan, in lieu of the Educational Retirement Act. They can opt to participate in either ERB's Defined Benefit Plan or ARP during the first 90 days of employment if they are in an eligible position. The benefit received upon retirement is based on the amount contributed by the employee during their career, subject to any investment gains or losses. Employees are 100% vested in both the employee and employer contributions upon enrollment in the ARP program, less a 3% administrative fee that is paid to the ERB.

Employees can make an annual election to switch to the ERB Defined Benefit Plan. After an employee has made contributions to the ARP for seven years, the employee has a 120-day window to enroll in the Defined Benefit Plan. Eligibility begins on the first day of the month after the date on which the employee has made seven years of contribution to the ARP. The seven-year mark is the only opportunity the employee will have to switch to the Defined Benefit Plan. If the employee makes the change, the employee cannot switch back to the ARP.

If the employees opt to move to the DBP, the money in the employee's ARP account will remain there. The employee must contribute to the Defined Benefit Plan for five years to vest in the Plan and be eligible for retirement benefits. The employee cannot purchase service credit for the time in which the employee was enrolled in the ARP; however, the seven years of participation in the ARP will count toward eligibility requirements to retire under the ERB Defined Benefit Plan. ARP participants can apply for a distribution of their ARP contributions upon separation from the Institute. ARP participants direct their own investments which are held at either TIAA-CREF or Fidelity, and retirement benefits are tied to the value of the assets in the account at retirement. Upon retirement, ARP participants have three options:

- a monthly annuity based on the retiree's estimated life span
- payments received over a fixed term of years, or
- a lump sum payment

The employee contributes 10.7% of their gross covered salary. ERB employers pay a 3% contribution rate to cover the actuarial impact on the Defined Benefit Plan attributable to employees participating in the ARP. The Institute's contribution is included in the amount remitted to ERB above.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE M – COMMITMENTS AND CONTINGENCIES

1. Operating Leases

The Institute is obligated under certain lease (rental) agreements, which are accounted for as operating leases. Incorporated in each lease agreement is a fiscal funding clause, which allows the Institute to cancel the operating lease if funding for future periods is not appropriated. The likelihood of such an occurrence is considered to be remote by the Institute. Total rent expense for the year ended June 30, 2016 was \$542,955.

The institute entered into a lease agreement with New Mexico Tech Research Foundation (a related party) which began April 1, 2006 and ends March 31, 2017. Monthly payments under this lease amount to \$7,513 and are included in the future minimum rental payment schedule below.

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

2017	\$	304,371
2018		101,526
2019		76,499
2020		66,461
2021		39,057
2022 - 2026		180,000
2027 - 2031		168,000
		168,000
	\$	935,914

2. Contingencies

The Institute is liable or contingently liable in connection with certain claims that arise in the normal course of its activities. It is the opinion of management that uninsured losses resulting from these claims would not be material to the Institute's financial position or operations.

The Institute receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. Institute administration believes that the liability, if any, for reimbursement that may arise as the results of audits, would not be material to the financial position or operations of the Institute.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE M – COMMITMENTS AND CONTINGENCIES – CONTINUED

3. State Risk Management Pool

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

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

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

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

4. Other Commitments

At June 30, 2016, the Institute had issued purchase orders for materials and services which were not received and thus not reflected as liabilities in the accompanying basic financial statements. The amount of such commitments is \$39,080,842.

Total construction commitments of \$13,768,758 are not presented in the financial statements. These commitments represent unfinished contracts with various entities at June 30, 2016.

NOTE N – STATE BOND APPROPRIATION ACCOUNTING

The Institute has periodically received severance tax and general obligation bond appropriations from the State of New Mexico for capital asset projects on the campus of the Institute. Bond revenue from these appropriations is recorded only when eligibility requirements have been met. The eligibility requirements for capital projects financed by bonds are satisfied when all required documentation to support a drawdown of a bond fund is submitted and approved by the Board of Finance.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE O – ENDOWMENTS

The Institute has donor-restricted and unrestricted endowments with the authority to use interest, income, dividends, or profits of endowments for specified purposes for the benefit of the Institute and its students. Expendable funds are those funds that may be expended for either a stated purpose or for a general purpose as per the endowment gift terms. Nonexpendable funds are those required to be retained in perpetuity.

Endowment income is reported each year based on investment activity for the year as “additions to endowments” on the statement of revenues, expenses and changes in net position. The Institute plans to adopt the State of New Mexico Uniform Prudent Management of Institutional Funds Acts (UPMIFA) (Chapter 46, Article 9A, NMSA 1978) in accounting for net appreciation/depreciation of endowments. Under UPMIFA, an institution may appropriate for expenditures or accumulate as much as it determines prudent for the uses, benefits, purposes, and duration of the endowment. Each institution sets the amounts and/or percentage of net appreciation on endowment investments that are authorized for expenditure in its spending plan. The Institute’s spending plan, which is based on a total-return policy, authorizes the Institute to spend the net appreciation for the purposes stated in the terms of the endowments. The Institute’s policy is to make 4.5% of the average five-year market value of the invested funds available for expenditure, and the remaining returns retained in the funds to compensate for inflationary growth. In the case of reserves, allocated, and agency funds, the total returns will remain with the funds until these funds are required to be expended for the purposes for which they were established. Unrestricted capital gains reported for the endowment fund pooled investments for fiscal year ending June 30, 2016, were \$1,263,464. Endowment income made available for distribution for the established purpose was \$1,384,586.

NOTE P – RECONCILIATION OF BUDGET BASIS TO GAAP

Budget basis revenues	\$ 131,638,792
Tuition discounts and allowances	(5,287,832)
Indirect cost recovery	(7,534,360)
Deposits held for other	104,685
Unbudgeted exhibits	1,564,961
Internal service cost recovery adjustment	3,540,761
Capital appropriation	<u>3,722,519</u>
Revenues per GAAP	<u>\$ 127,749,526</u>

New Mexico Institute of Mining and Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE P – RECONCILIATION OF BUDGET BASIS TO GAAP – CONTINUED

Budget basis expenditures	\$	123,340,128
Tuition discounts and allowances		(5,287,832)
Capital expenditures		(7,103,100)
Deposits held for other		114,784
Depreciation expense		10,229,707
Benefit Trust (net)		1,704,109
Net pension expense (benefit)		(938,681)
Internal service cost adjustment		3,540,761
Unbudgeted exhibits		<u>5,024,076</u>
Expenditures per GAAP	\$	<u>130,623,952</u>

NOTE Q – THE NEW MEXICO TECH RESEARCH FOUNDATION

1. Summary of Significant Accounting Policies

Cash and Cash Equivalents

For 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.

Notes Receivable

Notes receivable are stated at net realizable value. Management reviews the collectability of its notes receivable and, if necessary, records an allowance for its estimate of uncollectible accounts. Bad debt history and current facts and circumstances are the primary basis for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. There is no allowance for doubtful accounts deemed necessary at June 30, 2016.

Revenue and Cost Recognition

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

Operating revenues and contributions are those received by the Foundation for events and activities that relate directly to the Foundation and operating expenses are those incurred for events and activities that relate to administration, scholarships and awards for students. Revenues, expenses, gains and losses from investments are considered non-operating.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE Q – THE NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

1. Summary of Significant Accounting Policies – Continued

Net Position

Unrestricted net position represents resources whose use is not limited or restricted by donors. Unrestricted net position has arisen from exchange transactions, receipt of unrestricted contributions, and expirations of existing restrictions. Restricted expendable contributions are recorded as unrestricted to the extent the restrictions expire in the same reporting period.

Restricted expendable net position represents resources whose use is limited by donors for the support of the academic activities of the Institute faculty and/or students. Such restrictions are legally enforceable. Restricted expendable net position is released from restriction as the purpose restrictions are met. Restricted nonexpendable assets represent those that cannot be expended based on donor restriction. When both restricted and unrestricted funds are available, restricted funds are expended first.

Net investment in capital assets and intangible assets is intended to reflect the portion of net position which is associated with non-liquid, capital and intangible assets. There is no related debt.

Investments

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

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet in accordance with GASB 72. Mutual funds are based on the Foundation's pro-rata share of unit value of the mutual funds. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) are reported as increases or decreases in net position on the statement of revenues, expenses and changes in net position.

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE Q – THE NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

1. Summary of Significant Accounting Policies – Continued

Investments – Continued

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Due to the nature of investments, it is reasonable that changes in the value of investments will occur in the near future and changes could materially affect the amounts reported. The determination of fair values includes, among other things, published market prices, prices obtained from pricing services, and prices quoted by independent brokers at current exchange rates.

The 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 (SIC). 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. The insurance annuity is invested in underlying fixed income bond and index funds valued at fair value at June 30, 2016.

The SIC investments are stated at fair value in accordance with GASB Statement No. 72, with increases or decreases in fair value recognized in the statement of revenues, expenses and changes in net position at the end of each month. Investment transactions are recorded on the trade date basis. Dividends are recognized as income when declared. Current fair value of investments may fluctuate markedly from what is recorded at June 30 each year.

Information relating to SIC's use of derivatives is not made available to the Foundation. For additional GASB 40 disclosure information related to the investments held at SIC, the reader should refer to the separate audit report and required supplementary information of SIC for the fiscal year ended June 30, 2016. That report may be obtained by writing to State Investment Council, 41 Plaza la Prensa, Santa Fe, New Mexico 87507. The report is also available on the SIC website at www.sic.state.nm.us.

Net appreciation/depreciation on donor restricted endowments and related investment income are recorded as an increase in restricted, expendable net position until the amount is expended in accordance with donor specifications.

Private Equity Investments

Private equity investment represents ownership in closely held businesses, which are not publicly traded. Private equity investments are recorded in the financial statements on the accrual basis. These investments are recorded on the equity method of accounting in accordance with GASB 31 as the Foundation owns between 20% and 50% of the businesses and is able to exercise some level of control.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE Q – THE NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

1. Summary of Significant Accounting Policies – Continued

Private Equity Investments – Continued

The Corporation's investment strategy for private equity investments is to directly invest in select technology as well as research and development companies that support incubation to commercialization for such business activities associated with the Institute, which in turn operate with the objective of obtaining long-term growth and return on investment to the Foundation.

Private equity investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. The only private equity investment that is owned by the Foundation is considered fully impaired and continues to have a recorded fair value of \$0 at June 30, 2016.

Capital Assets

The Foundation records tangible and intangible capital assets purchased at cost and donations at their estimated fair value on the date of donation. The building is being depreciated using a straight-line method over a twenty-seven and a half years estimated useful life. The Foundation capitalizes property and equipment purchases with a cost over \$5,000.

Patents

The Foundation capitalizes the costs associated with the acquisition of patents, and amortizes these costs using the straight-line method over the twenty-year estimated useful life of the patents. Costs incurred to maintain and defend patents are expensed as incurred. The Foundation reviews the remaining useful life on the patent on an annual basis. All patents pending approval are held and not amortized until patent approval is final. If approval is denied, the reported cost to date of patent application is written off at that time.

Legal fees for patent expenditures that have no expectation to achieve patent approval in the future were expensed as incurred in the amount of \$36,584 during the year ended June 30, 2016.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE Q – THE NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

1. Summary of Significant Accounting Policies – Continued

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. Significant estimates used in preparing these financial statements include the estimated useful life of capital and intangible assets, and valuation of investments and the insurance annuity.

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 is exempt from income taxation on its normal activities. The Foundation is classified as a supporting organization of the Institute and not a private foundation.

The Foundation applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. There were no uncertain tax positions taken by the Foundation for the year ended June 30, 2016. The Foundation's policy is to classify income tax penalties and interest, when applicable, according to their natural classification. There were no income tax penalties or interest for the year ended June 30, 2016. Under the statute of limitations, the Foundation's tax returns are no longer subject to examination by tax authorities for years prior to 2013.

2. 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 has a deposit policy for custodial credit risk and collateral requirements. As of June 30, 2016, the Foundation's deposits were exposed to custodial credit risk as follows:

New Mexico Institute of Mining and Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE Q – THE NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

2. Cash and Bank Deposits – Continued

	First State Bank	Wells Fargo	Total
Total of deposits in the bank	\$ 296,765	\$ 10,489	\$ 307,254
FDIC Coverage	<u>(250,000)</u>	<u>(10,489)</u>	<u>(260,489)</u>
Total uninsured funds	<u>\$ 46,765</u>	<u>\$ -</u>	<u>\$ 46,765</u>

Custodial credit risk-deposits			
Account balance			\$ 307,254
FDIC insured			<u>(260,489)</u>
Uninsured and uncollateralized			<u>\$ 46,765</u>
Total deposits			\$ 307,254
Add: Money market			<u>46,308</u>
Total deposits			<u>\$ 353,562</u>

Custodial Credit Risk

The Foundation infrequently has uninsured and uncollateralized deposits not in compliance with collateral requirements. This is generally due to year-end outstanding checks that generally clear the bank account in a short period of time.

Deposit classification in the financial statements at June 30, 2016 follows:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
First State Bank	Checking	Cash	\$ 195,779	\$ (18,472)	\$ 177,307
First State Bank	Savings	Cash	986	-	986
First State Bank	Certificate	CD	100,000	-	100,000
Wells Fargo	Checking	Cash	10,489	-	10,489
Merrill Lynch	Investment	Money Market	<u>46,308</u>	<u>-</u>	<u>46,308</u>
			<u>\$ 353,562</u>	<u>\$ (18,472)</u>	<u>\$ 335,090</u>

New Mexico Institute of Mining and Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE Q – THE NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

3. Investments

A summary of the investments at June 30, 2016 are as follows:

<u>Investments</u>	<u>Ratings</u>	<u>Fair Value</u>
Held at Merrill Lynch investment account		
Mutual funds		
Marketable Equities	Not Rated	\$ 3,043,978
Fixed Income	Not Rated	696,994
Alternative Investments	Not Rated	295,990
Marketable Common Stock	Not Rated	<u>1,184</u>
		4,038,146
Investments held with the New Mexico State Investment Council (SIC) pooled funds:		
Large Cap Index Fund	Not Rated	9,156,678
Core Plus Bonds Pool	Not Rated	<u>8,418,870</u>
		17,575,548
Insurance annuity investments at New York Life:		
Mainstay VP SP 500	Not Rated	440,755
Mainstay VP Hi Yd Bond Fund	Not Rated	535,030
Fidelity Contra Fund	Not Rated	440,921
Fixed Income	Not Rated	<u>748,322</u>
		<u>2,165,028</u>
Total investments		<u>\$ 23,778,722</u>

SIC provides investment services in accordance with its policies and statutory requirements NMSA Section 6-8-9.

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE Q – THE NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

3. Investments – Continued

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.
Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

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

During 2016, the Company used quoted market prices in an active market to determine the fair value of available-for-sale exchange traded equity securities and mutual funds. These measurements are classified within Level 1 of the fair value hierarchy. The Company uses the net asset value provided by the SIC as an approximation of the fair value of SIC investments. These measurements are classified within Level 2 of the fair value hierarchy. Neither of these approaches changed from previous periods.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE Q – THE NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

3. Investments – Continued

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

The following table presents the fair value measurements of assets and liabilities at June 30, 2016:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At June 30, 2016				
Held at Merrill Lynch investment account				
Mutual funds:				
Marketable Common Stock	\$ 1,184	\$ 1,184	\$ -	\$ -
Marketable Equities	3,043,978	3,043,978	-	-
Fixed Income	696,994	696,994	-	-
Alternative Investments	295,990	-	295,990	-
Investment in Srypto, Inc. common stock*	-	-	-	-
Investments held with the New Mexico State				
Investment Council (SIC) pooled funds:				
Core Plus Bonds Pool	8,418,869	-	8,418,869	-
Large Cap Index Fund	9,156,678	-	9,156,678	-
Insurance annuity investments at New				
York Life:				
Mainstay VP SP 500	440,755	-	440,755	-
Mainstay VP Hi Yd Bond Fund	535,030	-	535,030	-
Fidelity Contra Fund	440,921	-	440,921	-
Fixed Income	748,322	-	748,322	-
	<u>\$ 23,778,721</u>	<u>\$ 3,742,156</u>	<u>\$ 20,036,565</u>	<u>\$ -</u>

*Investment in Srypto, Inc. was fully impaired.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE Q – THE NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

4. Notes Receivable

The Foundation funded the construction of a building for a company which leases land from New Mexico Institute of Mining and Technology. The Foundation has a related note receivable of \$657,267 of which \$170,800 is reported as a current asset and \$486,467 is a noncurrent asset. The note bears a variable rate of interest based on Wall Street Journal Prime (currently 3.25%), is payable monthly over 15 years, and is secured by the building.

The Foundation also has a note receivable in the amount of \$150,174, of which \$3,200 is reported as a current asset and \$146,974 is a noncurrent asset. The real estate sold is the underlying collateral for the note receivable. The note bears a 6% interest rate and is payable monthly over 36 months with remaining balance due at maturity.

The Foundation received a \$50,000 unsecured note receivable from a related party as part of the purchase of certain patent rights. The first principal payment in the amount of \$9,170 is recorded as a current asset and the remaining balance of \$40,840 is classified as a noncurrent asset. The note is dated August 31, 2015 and was made at 4.25 percent (prime + 1%). The note will be repaid with five annual payments, the first of which is due on or before August 31, 2016.

5. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and building held for investment	\$ 611,413	\$ 33,750	\$ -	\$ 645,163
Artwork	130,500	-	-	130,500
	<u>741,913</u>	<u>33,750</u>	<u>-</u>	<u>775,663</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Building	1,648,127	-	-	1,648,127
Accumulated depreciation				
Building	(735,529)	(59,932)	-	(795,461)
Capital assets, net	<u>\$ 1,654,511</u>	<u>\$ (26,182)</u>	<u>\$ -</u>	<u>\$ 1,628,329</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE Q – THE NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

5. Capital Assets – Continued

The Foundation will not obtain the benefits of ownership of the land and building held for investment until after the grantors' passing, in accordance with the life estate agreement. The agreement stipulates that the grantors maintain the benefits of the property and incur costs related to maintenance of the property. The Foundation does not have right of use of the property during the grantors' lifetime. As a result, the house, land, and parking lot are all real estate held for investment not subject to depreciation.

6. Intangible Assets

Identifiable intangible assets consist of the following at June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
Amortized patents				
Cost	\$ 83,603	\$ 11,976	\$ (10,034)	\$ 85,545
Less accumulated amortization	<u>(22,512)</u>	<u>(11,388)</u>	<u>4,908</u>	<u>(28,992)</u>
	61,091	588	(5,126)	56,553
Unamortized patents				
Cost	<u>31,266</u>	<u>98,019</u>	<u>(8,358)</u>	<u>120,927</u>
	<u>\$ 92,357</u>	<u>\$ 98,607</u>	<u>\$ (13,484)</u>	<u>\$ 177,480</u>

Estimated aggregate amortization expense for each of the five years succeeding June 30, 2016, is as follows:

2017	\$ 6,540
2018	6,540
2019	6,540
2020	6,540
2021	6,540
Thereafter	<u>23,853</u>
	<u>\$ 56,553</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE Q – THE NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

6. Intangible Assets – Continued

Amortization expense charged to earnings was \$11,388 for the year ended June 30, 2016. The pending patents will be amortized upon patent application acceptance or immediately expensed upon refusal of the patent application. Fourteen patents have been approved and management is amortizing the values over the life of the patents of twenty years. Management anticipates the approval of all patents pending.

7. 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 Institute charged \$56,340 to the Foundation for accounting and management services during the year ended June 30, 2016.

The Foundation owns an insurance annuity through New York Life with a fair value of \$2,165,028 which is the annuity payable at June 30, 2016. The insurance annuity was acquired to benefit the President of the Institute. The Foundation's annual contribution to the insurance annuity was \$306,000 in 2016. The President of the Institute retired on June 30, 2016, and the ownership of this insurance annuity was transferred to him in July of 2016.

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 on a month-to-month basis and expired in June 2014, and was renewed on the same terms (month-to-month) after year end. Lease revenues were \$97,663 for 2016.

The Foundation funded \$971,596 in scholarships and awards which were provided through the Institute during the year ended June 30, 2016. The funding for these scholarships comes primarily from assets held by the Foundation from which the Institute is entitled to 4.5% of the income, but has no title to the assets themselves. However, income earned on such assets upon which the Institute has claim is recorded in the accompanying basic financial statements.

The Foundation provided other support in the amount of \$849,591 to the Institute during 2016.

The Foundation received stock donations of \$95,944, which it liquidated and passed on the proceeds to the Institute during 2016.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE Q – THE NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

8. Risk Management

The Foundation is exposed to various risks of loss from torts; theft of; damage to, and destruction of assets; business interruption; and errors and omissions and natural disasters. The Foundation is insured under the Institute's Risk Management for liability and casualty insurance, and through a private carrier for director and officer liability insurance. There have been no significant reductions in coverage from the prior years.

9. Donor Restricted Endowments

The Foundation solicits contributions to support the activities of the Institute. Contributions received may be unrestricted, restricted for a certain time or for a certain purpose, or restricted in perpetuity. Amounts which are restricted in perpetuity are classified as restricted, non-expendable on the statement of net position, and were \$3,391,072 at June 30, 2016.

Net appreciation/depreciation on donor restricted endowments and related investment income are recorded as an increase or decrease in restricted, expendable net position until the amount is expended in accordance with donor specifications. The investment policy is in accordance with the State of New Mexico Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Chapter 46, Article 9A 1-10 NMSA 1978). The investment income, including realized gains, from the restricted, non-expendable net position as well as balance of the unrestricted net position is generally available for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. During the current year, donor-restricted endowments had investment losses of \$218,433.

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original contribution as of the contribution date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as restricted, non-expendable net position (a) the original value of contribution to the endowment, (b) the original value of subsequent contribution to the endowment, (c) accumulations to the endowment made in accordance with the direction of the applicable donor agreement at the time the contribution is added to the fund. During the current year, the Foundation reclassified \$257,341 from unrestricted net position to restricted, non-expendable to cover certain donor endowments, whose fair value was less than the original value (under water) of the contribution to the endowment.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE R – THE NEW MEXICO TECH UNIVERSITY RESEARCH PARK CORPORATION

1. Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Corporation considers cash and cash equivalents to be cash held in bank at June 30, 2016.

Revenue and Cost Recognition

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

Operating revenues are typically derived by providing goods or services as well as recognition of income from sales of investments in exchange transactions. The Corporation did not have any exchange transactions during the year ended June 30, 2016.

Operating expenses represent amounts paid to acquire or produce goods and services provided in return for operating revenues, and are necessary to carry out the mission of the Corporation. Examples of operating expenses are legal expenses, professional services, and certain taxes incurred from operations.

Non-operating revenues represent non-exchange transactions and investment income and unrealized appreciation in investments in which the Corporation received or gained value without directly giving a value in return. Examples of non-operating revenues include gains and losses from investments, interest income, and other income items. The Corporation had no non-operating expenses during the year ended June 30, 2016.

Net Position

Unrestricted net position represents resources whose use is not limited or restricted by time or purpose. Unrestricted net position has arisen primarily from the receipt of unrestricted investment gains less general and administrative expenses.

Restricted net position is net position that has third-party (statutory or granting agency) limitations on their use. There is no restricted net position at June 30, 2016.

Notes Receivable

Notes receivable are stated at net realizable value. Management reviews the collectability of its notes receivable and, if necessary, records an allowance for its estimate of uncollectible accounts. Notes receivable are uncollateralized. Bad debt history and current facts and circumstances are the primary basis for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. There is no allowance for doubtful accounts deemed necessary at June 30, 2016.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

**NOTE R – THE NEW MEXICO TECH UNIVERSITY RESEARCH PARK CORPORATION –
CONTINUED**

1. Summary of Significant Accounting Policies – Continued

Private Equity Investments

Private equity investment represents ownership in closely held businesses, which are not publicly traded. Private equity investments are recorded in the financial statements on the accrual basis in accordance with US GAAP. These investments are recorded on the equity method of accounting in accordance with GASB 31 as the Corporation owns between 20% and 50% of the businesses and is able to exercise some level of control.

The Corporation's investment strategy for private equity investments is to directly invest in select information technology as well as research and development companies that support incubation to commercialization for such business activities associated with the Institute, which in turn operate with the objective of obtaining long-term growth and return on investment to the Corporation.

Private equity investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. There was no impairment loss on the private equity investment during 2016.

Prior to May 1, 2015 the Corporation owned a 50% interest in CAaNES LLC, which at that date had a book value under the equity method of accounting of \$361,504. On May 1, 2015 CAaNES, LLC was merged into a new Company, RiskSense, Inc., and in conjunction with the merger, the Corporation agreed to sell 20% of their ownership back to RiskSense, Inc. through receipt of a notes receivable for \$1,500,000. Additionally, in accordance with the nonmonetary exchange guidance contained in GASB 31, the Corporation recognized the value of the thirty percent of RiskSense retained using the \$1,500,000 paid for the twenty percent sold back to RiskSense. This equated to an initial value of \$2,250,000 being recorded as an investment in RiskSense and a resulting unrealized gain of \$2,123,641.

For FY 2016, the Corporation recognized a loss of \$496,620 for its 30% share of the 2016 operational loss of RiskSense accounted for on the equity method.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

**NOTE R – THE NEW MEXICO TECH UNIVERSITY RESEARCH PARK CORPORATION –
CONTINUED**

1. Summary of Significant Accounting Policies – Continued

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates used in preparing these financial statements include appreciation or impairment loss of private equity investments and an allowance for doubtful accounts on the notes receivable.

Income Taxes

The Corporation applied for and received tax exempt status under Section 501(c)(3) of the Internal Revenue Code as of July 2014, effective July 1, 2013. The Corporation engaged in no material unrelated activities and therefore no provision for income taxes has been made. The Corporation is classified as a public charity supporting the Institute and not a private foundation.

The Corporation has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes. FASB ASC 740 provides detailed guidance for the financial statement recognition, measurement, and disclosure of uncertain tax positions in an enterprise's financial statements. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FASB ASC 740 and in subsequent periods. The provisions of FASB ASC 740 have been applied to all Corporation income tax positions commencing from that date. There were no uncertain tax positions taken by the Corporation for the year ended June 30, 2016. The Corporation's policy is to classify income tax penalties and interest, when applicable, within income tax expense. Under the statute of limitations, the Corporation's tax returns are no longer subject to examination by tax authorities for years prior to 2013.

Subsequent Events

Subsequent events have been evaluated through November 11, 2016, the date at which the financials were available for issuance, to determine whether such events should be recorded or disclosed in the consolidated financial statements for the year ended June 30, 2016.

On September 9, 2016 the Corporation consented to amend the promissory notes from CAaNES and RiskSense (See Note R3 below) such that the amount of subordinated debt could be increased from \$2,000,000 to \$4,000,000. There was no increase in debt.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE R – THE NEW MEXICO TECH UNIVERSITY RESEARCH PARK CORPORATION – CONTINUED

2. 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, 2016, the Corporation’s deposits were exposed to custodial credit risk as follows:

	First State Bank
Total of deposits in the bank	\$ 77,404
Less FDIC coverage	(77,404)
Total uninsured funds	<u>\$ -</u>

Deposit classification in the financial statements at June 30, 2016 follows:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
First State Bank	Checking	Cash	<u>\$ 77,404</u>	<u>\$ -</u>	<u>\$ 77,404</u>

3. Notes Receivable

The Corporation holds a first unsecured note receivable from RiskSense with a face value of \$1,310,278 dated May 1, 2015, as partial payment for 20% of the ownership in RiskSense. This note was made at zero percent interest; therefore the Corporation imputed interest on the note using a rate of 4.25% (prime + 1%), which resulted in a discounted balance of \$979,043 based on the present value of the note. The note will be repaid in ten annual payments of \$131,028 beginning on or before December 31, 2017. This note may be subordinated to future senior financing not to exceed \$2,000,000. Additionally, a change in ownership of RiskSense of fifty percent or more would cause all remaining amounts due under this note to become due and payable at that time. Unamortized discount is amortized to earnings on the straight-line method over the life of the loan.

The Corporation holds a second unsecured note receivable from RiskSense with a face value of \$189,722 dated April 30, 2015, as partial payment for 20% of the ownership in RiskSense. This note was made at zero percent interest; therefore the Corporation imputed interest on the note using a rate of 4.25 percent (prime + 1%) which resulted in a discounted balance of \$176,940 based on the present value of the note. The note will be repaid with a single payment of \$189,722 due by December 31, 2016. This note may be subordinated to future senior financing not to exceed \$2,000,000. Additionally, a change in ownership of RiskSense of fifty percent or more would cause this note to become due and payable at that time. Unamortized discount is amortized to earnings on the straight-line method over the life of the loan.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

**NOTE R – THE NEW MEXICO TECH UNIVERSITY RESEARCH PARK CORPORATION –
CONTINUED**

3. Notes Receivable – Continued

The Corporation holds a third unsecured note receivable from RiskSense with a face value of \$144,000 dated April 30, 2015, as distribution of a portion of 2013 undistributed earnings of RiskSense. This note was made at 4.25 percent (prime + 1%), and will be repaid with ten annual payments of \$17,976 beginning December 31, 2016. This note also required a payment of \$12,500 representing interest on the unpaid distributions since December 31, 2013. This note may be subordinated to future senior financing not to exceed \$2,000,000.

The Corporation holds a fourth unsecured note receivable from RiskSense with a face value of \$227,561 dated April 30, 2015, as distribution of a portion of 2014 undistributed earnings of RiskSense. This note was made at 4.25 percent (prime + 1%), and will be repaid with ten annual payments of \$28,406 beginning on or before December 31, 2016. This note may be subordinated to future senior financing not to exceed \$2,000,000.

The Corporation holds a fifth unsecured note receivable from RiskSense with a face value of \$151,707 dated June 4, 2016 as distribution of the remaining portion of the 2014 undistributed earnings of RiskSense. This note was made at 4.25 percent (prime +1%), and will be repaid with ten annual payments of \$18,938 beginning on or before December 31, 2016. Additionally one payment of \$6,448 representing accrued interest on the unpaid earnings to the date of the note, is to be paid by December 31, 2016 as well. This note may be subordinated to future senior financing not to exceed \$2,000,000.

4. Related Party Transactions

The Institute provides, on a rent-free basis, the Corporation's office space. This amount is not significant to report as in-kind lease revenue with an offset to in-kind lease expense in the same amount.

The Corporation paid the Institute \$58,013 for the amount due the Institute as of June 30, 2016.

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE S – PRIOR PERIOD RESTATEMENT

The Institute began presenting the Employee Benefit Trust as a blended component unit in fiscal year 2015. Only the net unfunded OPEB liability was recorded in the Institute's financial statements as of June 30, 2015 and the other assets, liabilities and net position of the Trust were omitted. Beginning net position has been restated in the amount of \$1,067,483 to include these omitted balances in the statements of the Institute.

NOTE T – EXPENDITURES IN EXCESS OF APPROVED BUDGET

For the year ended June 30, 2016, the Institute overspent its final budget amount for two items within restricted current funds which exceeded the level of budgetary control by a total of \$1,533,934. The Institute will reallocate its budget components to cover the amounts overspent in student aid and independent operations from unrestricted funds.

NOTE U – NEW ACCOUNTING STANDARDS

GASB 74

Governmental Accounting Standards Board Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* is intended to enhance the decision-usefulness of the financial reports of OPEB plans, their value for assessing accountability and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. GASB 74 basically parallels GASB 67 and replaces Statements No. 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 74 requires enhanced note disclosures and is effective for financial statements for fiscal years beginning after June 15, 2016 (FY 17). Management has not yet fully determined the impact of GASB 74.

GASB 75

Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. This statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB 75 is effective for fiscal years beginning after June 15, 2017 (FY18). Management has not yet fully determined the impact of GASB 75.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE U – NEW ACCOUNTING STANDARDS – CONTINUED

GASB 79

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79) established specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

GASB 79 establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. This statement could apply to the LGIP and SIC pooled fund that the Institute invests in. GASB 79 is effective for periods beginning after June 15, 2016 (FY17) and early adoption is encouraged. The Institute has elected to early adopt GASB 79. See Note A2.

GASB 80

GASB Statement No. 80, *Blending Requirements for Certain Component Units an Amendment of GASB Statement No. 14* (GASB 80) amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The objective of GASB 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement should have no effect on the reporting of the Institute's existing component units as they are part of the exception noted above. GASB 80 is effective for fiscal years beginning after June 15, 2016 (FY 17). Management has not yet fully determined the impact of GASB 80.

GASB 81

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81) requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE U – NEW ACCOUNTING STANDARDS – CONTINUED

GASB 81 – Continued

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts - or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements - in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. Management will evaluate the effect of this statement on the Institute's financial statements as there may be split-interest agreements associated with endowments. GASB 81 is effective for fiscal years beginning after December 15, 2016 (FY 18).

GASB 82

Governmental Accounting Standards Board Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No.73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The Institute is affected only by the first item which changes the RSI information presented from "covered-employee payroll" which is the payroll of employees that are provided with pensions through the pension plan to "covered payroll" which is the payroll on which contributions to a pension plan are based. GASB 82 is effective for financial statements for fiscal years beginning after June 15, 2016 (FY 17) though earlier application is encouraged. The Institute will apply the provisions of this statement in the current year.

REQUIRED SUPPLEMENTARY INFORMATION

New Mexico Institute of Mining and Technology

**SCHEDULE OF PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years***

June 30, 2016

Year Ended June 30	Institute's proportion of the net pension liability	Institute's proportionate share of the net pension liability	Institute's covered payroll	Institute's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	1.30317%	\$ 74,355,364	\$ 41,456,404	179%	66.54%
2016	1.30246%	\$ 84,363,804	\$ 35,561,330	237%	63.97%

New Mexico Institute of Mining and Technology

SCHEDULE OF CONTRIBUTIONS
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

June 30, 2016

Year Ended June 30	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Institute's covered payroll	Contributions as a percentage of covered payroll
2015	\$ 5,762,440	\$ 5,135,439	\$ 627,001	\$ 41,456,404	12.4%
2016	\$ 5,873,451	\$ 5,146,388	\$ 727,063	\$ 35,561,330	14.5%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Institute will present information for those years for which information is available.

NOTES TO DEFINED BENEFIT RETIREMENT PLAN RSI

For the Year Ended June 30, 2016

NOTE A – CHANGES OF BENEFIT TERMS

The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure General Information on the Pension Plan.

NOTE B – CHANGES OF ASSUMPTIONS

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 12, 2015, ERB implemented the following changes in assumptions for fiscal year 2015.

1. Fiscal year 2015 valuation assumptions that changed based on this study:

- a. Lower wage inflation from 4.25% to 3.75%
- b. Lower payroll growth from 3.50% to 3.25%
- c. Minor changes to demographic assumptions
- d. Lower population growth per year from 0.50% to zero
- e. Update mortality tables to incorporate generational improvements

2. Assumptions that were not changed:

- a. Investment return will remain at 7.75%
- b. Inflation will remain at 3.00%
- c. Payroll growth will remain at 3.50%
- d. Real return assumption will remain at 4.75%
- e. COLA assumption remains at 2.00% per year

See also the Actuarial Assumptions subsection of the financial statement note disclosure General Information on the Pension Plan.

New Mexico Institute of Mining and Technology

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Year Ended June 30, 2016

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

Schedule of Funding Progress - OPEB

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
7/1/2014	\$ -	\$ 64,270,477	\$ 64,270,477	0%	\$ 28,644,568	224%
7/1/2015	-	51,558,423	51,558,423	0%	27,508,463	208%

Schedule of Employer contributions - OPEB

Actuarial Valuation Date	Annual Required Contributions (ARC)	Employer Actual Contributions	% Contributed
7/1/2014	\$ 5,518,046	\$ 424,956	7.70%
7/1/2015	4,390,249	930,054	21.60%

Funding Progress of the Plan

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for fiscal year ended June 30, 2016, is as follows:

	July 1, 2015	June 30, 2016
Annual OPEB Cost	5,518,536	\$ 4,310,761
Percentage of Annual OPEB Cost Contributed	7.7%	21.6%
Net OPEB obligation as of June 30, 2015	5,093,580	\$ 8,474,287
Actuarial accrued liability	\$ 51,558,423	
Market value of plan assets	\$ -	
Unfunded actuarial accrued liability (UAAL)	\$ 51,558,423	
Funded ratio	0.00%	
Annual payroll	N/A	
Ratio of UAAL to annual payroll	N/A	

Funded Status

As of July 1, 2015, the most recent actuarial valuation date, the Plans were not funded. The Institute's UAAL, the present value of all future expected postretirement health payments and administrative costs attributable to past service, was \$51,558,423, and the actuarial value of assets was \$0, resulting in an UAAL of the full \$51,558,423, or a funded ratio of 0%. The covered payroll (annual payroll of active employees covered by the Plan) was \$27,508,463, and the ratio of the UAAL to the covered payroll was 206%.

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS –
CONTINUED
OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED**

Year Ended June 30, 2016

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

Summary of Key Actuarial Method and Assumptions

Valuation Date	July 1, 2015
Actuarial Cost Method:	Entry Age Normal, allocated on a level basis of each individual active participant.
Asset Valuation Method:	Market Value.
Interest:	Discount rate as of July 1, 2015: 4.00%, compounded annually. Discount rate as of July 1, 2016: 4.00%, compounded annually. Rate of Return on Assets: 4.00%, compounded annually.
Inflation Rate:	3.0%
Projected Salary Increase:	3.0%
Mortality:	RP-2014 Mortality tables for males and females, projected with scale MP-2015 to 2015.
Participation Rate:	85% of current Active Employees eligible to participate in the postretirement medical plan will elect single coverage after retirement; 50% will elect to cover their spouses as well.
Spousal Participation Rate:	33% of current Active Employees will be married at retirement. If spousal birthdates are not available, male spouses are assumed to be three years older than female spouses.
Expenses:	None.

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS –
CONTINUED
OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED**

Year Ended June 30, 2016

Health Care Trend Rate: Increases for medical costs and retiree contributions were set at 3% per annum for medical, prescription drug, dental and vision benefits. Increases for retiree contributions are 4% for 2015 and 3% per year thereafter.

OTHER SUPPLEMENTARY INFORMATION

New Mexico Institute of Mining and Technology

**COMBINED REVENUES AND EXPENDITURES -
BUDGET COMPARISONS**

Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	\$ 34,182,185	\$ 44,756,998	\$ 44,756,998	\$ -
Revenues				
State general fund appropriations	54,154,726	56,192,126	38,793,021	(17,399,105)
Restricted revenue sources	73,807,036	73,807,036	57,282,917	(16,524,119)
Tuition and fees	12,155,448	13,860,442	15,090,154	1,229,712
Land and permanent fund	1,050,000	1,050,000	759,517	(290,483)
Endowment earnings/private gifts	200,000	200,000	273,124	73,124
Other	15,451,292	15,859,292	19,440,059	3,580,767
Total revenues	156,818,502	160,968,896	131,638,792	(29,330,104)
Total revenues and fund balance budgeted	191,000,687	205,725,894	176,395,790	(29,330,104)
Expenditures				
Instruction and general	38,683,730	45,433,396	38,468,459	(6,964,937)
Student social and cultural	552,100	1,108,817	669,329	(439,488)
Research	70,380,200	77,066,633	47,929,718	(29,136,915)
Public service	553,430	674,462	656,763	(17,699)
Internal service departments	6,129,983	6,275,827	2,624,558	(3,651,269)
Student aid	11,285,430	11,740,430	11,650,165	(90,265)
Auxiliary enterprises	5,586,056	5,547,195	5,284,197	(262,998)
Intercollegiate athletics	219,000	248,978	227,407	(21,571)
Independent operations	5,510,370	6,359,521	6,277,728	(81,793)
Capital outlay	16,050,000	18,240,000	8,622,845	(9,617,155)
Renewal and replacements	2,323,812	2,323,812	680,951	(1,642,861)
Retirement of indebtedness	1,060,800	1,060,800	248,008	(812,792)
Total expenditures	158,334,911	176,079,871	123,340,128	(52,739,743)
Net transfers	(213,445)	(213,445)	(593,809)	(380,364)
Change in net position-budgetary basis	(1,729,854)	(15,324,420)	7,704,855	23,029,275
Ending net position-budgetary basis	\$ 32,452,331	\$ 29,432,578	\$ 52,461,853	\$ 23,029,275

New Mexico Institute of Mining and Technology

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

Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	\$ 34,182,185	\$ 44,756,998	\$ 44,756,998	\$ -
Revenues				
Tuition	10,104,448	11,809,442	12,192,206	382,764
Miscellaneous fees	2,051,000	2,051,000	2,897,948	846,948
Government appropriation - federal	-	-	-	-
Government appropriation - state	54,154,726	56,192,126	38,793,021	(17,399,105)
Government appropriation - local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private contracts	-	-	-	-
Endowments	200,000	200,000	273,124	73,124
Land and permanent fund	1,050,000	1,050,000	759,517	(290,483)
Private gifts	-	-	-	-
Sales and service	6,701,705	7,109,705	6,209,359	(900,346)
Other sources	8,749,587	8,749,587	13,230,700	4,481,113
Total revenues	83,011,466	87,161,860	74,355,875	(12,805,985)
Total revenues and fund balance budgeted	117,193,651	131,918,858	119,112,873	(12,805,985)
Expenditures				
Instruction and general	38,683,730	45,433,396	38,468,459	(6,964,937)
Student social and cultural	552,100	1,108,817	669,329	(439,488)
Research	9,421,700	16,108,133	8,046,891	(8,061,242)
Public service	553,430	674,462	656,763	(17,699)
Internal service departments	300,000	445,844	426,742	(19,102)
Student aid	5,137,892	5,592,892	4,462,499	(1,130,393)
Auxiliary enterprises	5,586,056	5,547,195	5,284,197	(262,998)
Intercollegiate athletics	219,000	248,978	227,407	(21,571)
Independent operations	4,639,355	5,488,506	4,912,907	(575,599)
Capital outlay	16,050,000	18,240,000	8,622,845	(9,617,155)
Renewal and replacements	2,323,812	2,323,812	680,951	(1,642,861)
Retirement of indebtedness	1,060,800	1,060,800	248,008	(812,792)
Total expenditures	84,527,875	102,272,835	72,706,998	(29,565,837)
Net transfers	(213,445)	(213,445)	(742,063)	(528,618)
Change in net position-budgetary basis	(1,729,854)	(15,324,420)	906,814	16,231,234
Ending net position-budgetary basis	\$ 32,452,331	\$ 29,432,578	\$ 45,663,812	\$ 16,231,234

New Mexico Institute of Mining and Technology

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

Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	\$ -	\$ -	\$ -	\$ -
Revenues				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	269,731	269,731	303,075	33,344
Government appropriation - state	71,015	71,015	-	(71,015)
Government appropriation - local	-	-	-	-
Government grants - federal	56,777,807	56,777,807	40,048,139	(16,729,668)
Government grants - state	7,200,000	7,200,000	2,550,224	(4,649,776)
Contracts - other	-	-	2,809,579	2,809,579
Private contracts	3,546,000	3,546,000	9,334,068	5,788,068
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales and service	5,829,983	5,829,983	529,768	(5,300,215)
Other sources	112,500	112,500	1,708,064	1,595,564
Total revenues	73,807,036	73,807,036	57,282,917	(16,524,119)
Cash balance budgeted	-	-	-	-
Total revenues and fund balance budgeted	73,807,036	73,807,036	57,282,917	(16,524,119)
Expenditures				
Instruction and general	-	-	-	-
Student social and cultural	-	-	-	-
Research	60,958,500	60,958,500	39,882,827	(21,075,673)
Public service	-	-	-	-
Internal service departments	5,829,983	5,829,983	2,197,816	(3,632,167)
Student aid	6,147,538	6,147,538	7,187,666	1,040,128
Auxiliary enterprises	-	-	-	-
Intercollegiate athletics	-	-	-	-
Independent operations	871,015	871,015	1,364,821	493,806
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
Total expenditures	73,807,036	73,807,036	50,633,130	(23,173,906)
Net transfers	-	-	148,254	148,254
Change in net position-budgetary basis	-	-	6,798,041	6,798,041
Ending net position-budgetary basis	\$ -	\$ -	\$ 6,798,041	\$ 6,798,041

New Mexico Institute of Mining and Technology

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

Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	\$ 2,676,963	\$ 8,227,193	\$ 8,227,193	\$ -
Revenues				
Tuition	10,104,448	11,809,442	12,192,206	382,764
Miscellaneous fees	1,098,500	1,098,500	1,461,000	362,500
Government appropriation - federal	-	-	-	-
Government appropriation - state	27,789,000	27,622,300	27,622,556	256
Government appropriation - local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private gift/contracts	-	-	-	-
Endowment earnings	200,000	200,000	203,268	3,268
Land and permanent fund	1,050,000	1,050,000	759,517	(290,483)
Private gifts	-	-	-	-
Sales and service	-	-	-	-
Other sources	4,157,500	4,157,500	7,299,550	3,142,050
Total revenues	44,399,448	45,937,742	49,538,097	3,600,355
Expenditures				
Instruction	18,398,634	21,507,950	18,161,621	(3,346,329)
Academic support	4,210,002	4,433,512	3,344,623	(1,088,889)
Student services	2,349,102	2,915,956	2,246,829	(669,127)
Institutional support	8,442,278	11,292,264	8,333,036	(2,959,228)
Operation and maintenance of plant	5,283,714	5,283,714	6,382,350	1,098,636
Total expenditures	38,683,730	45,433,396	38,468,459	(6,964,937)
Net transfers	(6,072,966)	(6,022,966)	(9,576,022)	(3,553,056)
Change in net assets-budgetary basis	(357,248)	(5,518,620)	1,493,616	7,012,236
Ending fund balances-budgetary basis	\$ 2,319,715	\$ 2,708,573	\$ 9,720,809	\$ 7,012,236

New Mexico Institute of Mining and Technology

SCHEDULE OF DEPOSIT COLLATERAL

June 30, 2016

	Pledged Collateral			First	Wells Fargo	Bank of	Total
	Safekeeping Location	Type of Security	Maturity Date	State Bank Socorro, NM	Socorro, NM	America Socorro, NM	
Funds on deposit							
Deposits				\$ 43,535,108	\$ 2,250,546	\$ 7,715	\$ 45,793,369
FDIC insurance							
Demand deposits				(250,000)	(250,000)	(7,715)	(507,715)
Certificates of deposit				(100,000)	-	-	(100,000)
Total uninsured public funds				\$ 43,185,108	\$ 2,000,546	\$ -	\$ 45,185,654
Fifty percent collateral requirement per Section 6-10-17 NMSA				\$ 21,592,554	\$ 1,000,273	\$ -	\$ 22,592,827
Pledged collateral	Federal Reserve Bank, Dallas, Texas	FFCB Non CBL CUSIP #31331QYJO	3/28/2018	4,898,454	-	-	4,898,454
		FFCB Non CBL CUSIP #31331SVNO	12/28/2020	4,974,165	-	-	4,974,165
		FFCB Non CBL CUSIP #31331XX64	8/23/2021	4,029,247	-	-	4,029,247
		FFCB 2.20 CUSIP #3133ECK94	3/28/2023	5,051,905	-	-	5,051,905
		FHLB Non CBL CUSIP #3133X8EW8	8/15/2024	1,082,173	-	-	1,082,173
		FFCB 3.620 021125 CUSIP #31331KUD0	2/11/2025	3,738,510	-	-	3,738,510
		FFCB Non CBL CUSIP #31331VKU9	4/16/2025	3,092,731	-	-	3,092,731
		FFCB 2.63 CUSIP #3133EAG44	8/3/2026	1,915,356	-	-	1,915,356
		FHLB 3.00 CUSIP #3130A2VE3	9/11/2026	5,881,515	-	-	5,881,515
		FMAC 2.5% CUSIP #3128MMT52	10/1/2030	-	30,878	-	30,878
		FNMA 3.5% CUSIP #3138E4U58	10/1/2042	-	1,132,795	-	1,132,795
Total collateral				<u>34,664,056</u>	<u>1,163,673</u>	<u>-</u>	<u>35,827,729</u>
Excess of pledged collateral over the required amount				<u>\$ 13,071,502</u>	<u>\$ 163,400</u>	<u>\$ -</u>	<u>\$ 13,234,902</u>

New Mexico Institute of Mining and Technology

**SCHEDULE OF MULTIPLE-YEAR CAPITAL PROJECTS FUNDED BY
GENERAL OBLIGATION REVENUE BOND AND SEVERANCE TAX BOND
CAPITAL OUTLAY APPROPRIATIONS FROM THE STATE**

Year Ended June 30, 2016

Project Description	Authority/Chapter	Laws	Appropriation Period	Expiration	Total Appropriation	Bonds Sold to Date	Bonds Unsold	Amount Available	Prior Year Expenditures	Current Year Expenditures	Art in Public Places	Current Year Reversion Amount	Unencumbered Balance
<u>General Obligation Revenue Bond</u>													
GENERAL FUND													
General Obligation	Ch65, Sec10	2014	2015	6/30/2018	\$ 15,000,000	\$ 15,000,000	\$ -	\$ 15,000,000	\$ 581,615	\$ 3,778,223	\$ 150,000	\$ -	\$ 10,490,162
Total General Obligation Revenue Bonds					<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>	<u>\$ -</u>	<u>\$ 15,000,000</u>	<u>\$ 581,615</u>	<u>\$ 3,778,223</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 10,490,162</u>
<u>Severance Tax Bond Proceeds</u>													
Severance Tax - 15A	Data & Telcom	3	2015	2015	6/30/2019	\$ 2,000,000	\$ 2,000,000	\$ -	\$ 2,000,000	\$ -	\$ -	\$ 20,000	\$ 1,980,000
Severance Tax - 13A	MRO Maint Rm	226	2013	2014	6/30/2017	235,000	235,000	-	235,000	173,930	61,070	-	-
Severance Tax - 15A	Jones Planning	3	2015	2015	6/30/2019	190,000	190,000	-	190,000	-	46,998	1,900	141,102
Total Severance Tax Bonds					<u>\$ 2,425,000</u>	<u>\$ 2,425,000</u>	<u>\$ -</u>	<u>\$ 2,425,000</u>	<u>\$ 173,930</u>	<u>\$ 108,068</u>	<u>\$ 21,900</u>	<u>\$ -</u>	<u>\$ 2,121,102</u>
Total Capital Appropriations					<u>\$ 17,425,000</u>	<u>\$ 17,425,000</u>	<u>\$ -</u>	<u>\$ 17,425,000</u>	<u>\$ 755,545</u>	<u>\$ 3,886,291</u>	<u>\$ 171,900</u>	<u>\$ -</u>	<u>\$ 12,611,264</u>

New Mexico Institute of Mining and Technology

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

Year Ended June 30, 2016

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
1607001S	RFB	C&C Services	\$ 107,384.02		C&C Services, 2145 Don Andres Rd SW, Albuquerque, NM 87105	N	N	Demolition of Bureau Building
					Randy Sena Construction; 6811 Huseman Pl SW, Albuquerque, NM 87121	Y	N	
					Aztec Grading; 6919 Acoma SE, Albuquerque, NM 87108	N	N	
					HR Construction; 5520 Broadway Blvd SE, Albuquerque, NM 87105	Y	N	
1609002S	RFP	Bradbury Stamm	\$ 13,839,439.56		Bradbury Stamm; 7110 2nd Street NW, Albuquerque, NM 87107	Y	N	Construction of Chemistry Bldg
					Flintco LLC; 6020 Indian School Rd NE, Albuquerque, NM 87110	Y	N	
					White Sands Construction Inc; P.O. Box 1745 Alamogordo, NM 88311	Y	N	
					Jaynes Corp; 2906 Broadway NE, Albuquerque, NM 87125	Y	N	
					DND Contractors Inc; 205 W. Boutz Building 3, Suite B, Las Cruces, NM 88005	Y	N	
					Brycon Construction; P.O. Box 15820, Rio Rancho, NM 87174	Y	N	
1609003S	RFP	McLain + Yu	\$ 178,970.95		McClain & Yu Architecture & Design, 2009 Ridgecrest Drive SE, Albuquerque, NM 87108	y	N	A&E Data Center
					Van Gilbert Architect; 2428 Baylor Drive, Albuquerque, NM 87106	Y	Y	
					Nine Degrees Architecture; 101 Maguey Court, Suite 2, Sunland Park, NM 88063	Y	N	
					FBT Architects; 6501 Americas Pkwy NE, Suite 300, Albuquerque, NM 87110	N	N	
					Testudo Engineering, Inc.; P.O. Box 91237, Albuquerque, NM 87199	N	N	
					Brawley & Company; 3700 Rio Grande NW, Suite 5, Albuquerque, NM 87107	N	N	

New Mexico Institute of Mining and Technology

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

Year Ended June 30, 2016

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
1609004S	RFP	Van Gilbert & Associates	\$ 709,899.00		Van Gilbert Architect; 2428 Baylor Drive, Albuquerque, NM 87106	Y	Y	A&E Jones Hall Remodel
					Vigil & Associates; 4477 Irving NW, Suite A, Albuquerque, NM 87114	Y	N	
					Nine Degrees Architecture; 101 Maguey Court, Suite 2, Sunland Park, NM 88063	Y	N	
					SMPC Architects; 115 Amherst Drive SE, Albuquerque, NM 87106	Y	N	
					McClain & Yu Architecture & Design, 2009 Ridgecrest Drive SE, Albuquerque, NM 87108	Y	N	
					FBT Architects; 6501 Americas Pkwy NE, Suite 300, Albuquerque, NM 87110	Y	N	
					Brawley & Company; 3700 Rio Grande NW, Suite 5, Albuquerque, NM 87107	Y	N	
					DWL Architects; 202 Central Ave, SE, Albuquerque, NM 87102	Y	N	
161005S	RFP	Sabio	\$ 75,000.00	\$50,000.00	Sabio Systems, LLC; 4520 Montgomery Blvd NE, Albuquerque, NM 87109	N	N	Sr. Business Analyst
					Carlos Ronquillo; P.O. Box 53032, Albuquerque, NM 87153	N	N	
					Strata Information Group; 3935 Harney Street, Suite 203, Dan Diego, CA 92110	N	N	
1601006S	RFB	Barbizon Light of the Rockies	\$ 164,511.18		Barbizon Light of the Rockies; 8269 East 23rd Ave, Suite 111, Denver, CO 80238	N	N	Theatre lighting
					Oasis Stage Werks; 249 S. Rio Grande St., Salt Lake City, UT 84101	N	N	
					Musson Theatrical, Inc; 890 Walsh Ave, Santa Clara, CA 95050	N	N	
					MainStage Theatrical Supply; 8761 A Ely Rd, Pensacola, FL 32514	N	N	
					Event Technology Services Inc; 504 Amherst Dr SE, Albuquerque, NM 87106	N	N	
					B & H Photo; 420 Ninth Ave, NY, NY 10001	N	N	
					Graybar; 281 Menaul Blvd NE, Albuquerque, NM 87107	N	N	
					Summit Electric Supply; 2900 Stanford Dr. NE, Albuquerque, NM 87107	N	N	
					Clearwing Productions; 5640 S. 40th Street #1, Phoenix, AZ 85040	N	N	

New Mexico Institute of Mining and Technology

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

Year Ended June 30, 2016

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
1602007S	RFP	LC Structural, Inc.	varies per project		LC Structural, Inc.; 720 E. Chestnut Ave, Las Cruces, NM 88001	N	Y	Job Order Contracting
		Classic Industries	"		Classic Industries; P.O. Box 434, Las Cruces, NM 88032	Y	N	
		FacilityBuild	"		FacilityBuild; 5904 Florence Abe NE, Albuquerque, NM 87113	Y	N	
		Franken Construction	"		Franken Construction; 1025 Douglas Ave, Las Vegas, NM 87701	Y	N	
		Weil Construction	"		Weil Construction; 3344 Princeton NE, Albuquerque, NM 87107	Y	N	
					Mevacon LLC; 1207 Scoggins Ave, Las Cruces, NM 88005	Y	N	
					Anchor Built Inc; 104 Sin Nombre Ct NE, Albuquerque, NM 87113	Y	N	
					ESA Construction; 3435 Girard NE, Albuquerque, NM 87107	Y	N	
					Brycon Corp; 8400 Firestone Lane NE, Albuquerque, NM 87113	Y	N	
					National Construction; P.O. Box 1479, Alamogordo, NM 88311	Y	N	
					Alpha Building Corp; 1805 Futurity Dr, Sunland Park, NM 88063	N	N	
					Mick Rich Contractors; P.O. Box 90727, Albuquerque, NM 87199	Y	N	
					Prime Builders; 6808 Academy Pkwy East NE, Albuquerque, NM 87109	Y	N	
					All Rite Construction; P.O. Box 67904, Albuquerque, NM 87120	Y	N	
					HEI Inc; 3800 Vassar Dr NE, Albuquerque, NM 87107	Y	N	
					Southeast Electric; 1101 Med Park Dr., Las Cruces, NM 88005	N	N	
					Wizer Electric; 6017 Del Carmen Dr NE, Rio Rancho, NM 87144	Y	N	
					B & D Industries; 9720 Bell Ave SE, Albuquerque, NM 87123	Y	N	

New Mexico Institute of Mining and Technology

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

Year Ended June 30, 2016

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
1602008M	RFB	Vroom Engineering & Mfg			various - pricing agreements to be used when needed Vroom Engineering & Mfg; 2410 West Wetmore Rd, Tucson, AZ 85705	N	N	Machining Services
		Jaguar Precision Machine Corp.	"		Jaguar Precision Machine Corp; 1614 2nd St NW, Albuquerque, NM 87102	N	N	
		Infrared Laboratories	"		Infrared Laboratories; 1808 East 17th Street, Tucson, AZ 85719	N	N	
		Continental Machining Co.	"		Continental Machining Co; 6824 Washington NE, Albuquerque, NM 87109	N	N	
		Pro-Fab Inc.	"		Pro-Fab Inc.; 1040 Bosque Farms Blvd, Bosque Farms, NM 87068	N	N	
		Universal Cryogenics	"		Universal Cryogenics; 1815 W. Gardner Lane, Tucson, AZ 95705	N	N	
1602009S	RFB	Frank Bacon Machinery Sales Co.	\$ 61,150.00		Frank Bacon Machinery Sales Co.; 4433 East 8 Mile Rd, Warren, MI 48091	N	N	Hydraulic Universal Testing Machine
					Thompson Quill; 4340 E. Indian School Rd, Suite 21, Phoenix, AZ 85018	N	N	
1603011S	RFB	Pace Event Services	\$ 163,638.67		Pace Event Services; 2413 Monroe Street NE, Suite A, Albuquerque, NM 87110	Y	N	Theatre Audio Upgrade
					Grandma's Music; 9310 Coors Blvd NW, Albuquerque, NM 87114	Y	N	
					IES; 8904 Adams St. NE, Albuquerque, NM 87113	N	N	
					Washington Music; 11151 Veirs Mill Rd, Wheaton, MD 20902	N	N	
					B & H Photo; 420 Ninth Ave, NY, NY 10001	N	N	
					Ford AV; 4800 West Interstate 40, Oklahoma City, OK 73128	N	N	
					Videotape Products Inc; 2721 W. Magnolia Blvd, Burbank, CA 91505	N	N	
					PROSVL Inc, 8812 Grow Drive, Pensacola, FL 32514	N	N	
					Vintage King Audio; 1176 W. Sunset Blvd, Los Angeles, CA 90012	N	N	

New Mexico Institute of Mining and Technology

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

Year Ended June 30, 2016

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
		Leseberg's Auto	500.00 per car		Lander's Quick & Easy; 606 N. California, Socorro NM 87801	N	N/A	pricing agreement - ordered as needed
0011337E	RFB	Lander's Quick & Easy	\$495.00 per car		Leseberg's Auto; 512 Hwy 60, Socorro, NM 87801	N	N/A	Target Vehicles
					Hicks Paint and Body; 412 Memory Lane, Socorro, NM 870801	N	N/A	
					Alvarez Electric Motors Company; 6220 River Crest Drive, Riverside, CA 92507	N	N/A	
0011310E	RFB	Raks	\$1127.46 per PRSBI		Home Depot; 200 Eubank Blvd SE, Albuquerque, NM 87123	N	N/A	Bundled Construction Supplies
		Lowes	\$1584.19 per IRTB		Lowes; 1600 Main St., Los Lunas, NM 87031	N	N/A	pricing agreement - ordered as needed
					Raks Building Supply; 501 Otero Ave East, Socorro, NM 87801	N	N/A	
					Builders Do It Center; 200 S. Main, Roswell, NM 88203	N	N/A	
					Foxworth Gailbraith; 160 New School Rd, TorC, NM 87901	N	N/A	
0011209F	RFB	Summit Electric Supply	\$ 152,962.28		Summit Electric Supply; 2900 Stanford Dr. NE, Albuquerque, NM 87107	N	N	Library Lighting and Controls
					Graybar Electric	N	N	
					281 Menaul Boulevard NE			
					Albuquerque, NM 87107			
0010864F	RFB	Parts Plus	various		Parts Plus of NM; 5900 Office Blvd NE, Albuquerque, NM 87109	Y	N	pricing agreement - ordered as needed
		Napa	various		Napa Auto Parts (Genuine Parts Co); 602 California, Socorro, NM 87801	Y	N	
					US Distributing Inc; 3700 Ruthledge NE, Albuquerque, NM	N	N	
					O'Reilly Automotive Stores; 1401 Main Street SW, Los Lunas, NM 87031	N	N	
					Mighty Auto Parts (MOJO); 5901-A Office Blvd NE, Albuquerque, NM 87109	N	N	

New Mexico Institute of Mining and Technology

SCHEDULE OF JOINT POWERS AGREEMENTS

For the Year Ended June 30, 2016

Other Participant(s)	Party Responsible for Operations	Description	Beginning Date	Ending Date	Total Estimated Costs	FY 2016 Contributions	Audit Responsibility	Fiscal Responsibility	Entity Reporting Costs
Socorro County	Socorro County	County to use equipment owned by NM Tech for the construction and maintenance of the landfill	4/12/1994	Ongoing	None	None	Both	Both	Both
City of Socorro	City of Socorro	City to use equipment owned by NMIMT for the construction and maintenance of the landfill	7/18/1994	Ongoing	None	None	Both	Both	Both

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

Federal Grantor Program Title	Award #	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic Assistance (C DFA) Number	Passed Through Fiscal Year Subrecipient Expenditures	Fiscal Year Expenditures
RESEARCH AND DEVELOPMENT CLUSTER					
Army					
Army Research Laboratory	AIPM	W911NF-11-2-0036	12.xxx	\$ -	\$ 52,792
Department of Defense	AMW1	H98230-06-C-0611	12.xxx	-	(396)
Department of Defense	AMY1	H98230-13-C-1356	12.xxx	148,741	1,352,174
Airforce					
Air Force Research Laboratory	FAIR	FA943-15-2-0086	12.910	1,758	2,067,404
Navy					
Office of Naval Research	NLSC	N00014-14-1-0277	12.300	-	9,189
Office of Naval Research	NSIB	N00014-15-1-2265	12.300	-	37,515
Other DoD					
Defense Threat Reduction Agency	RTMT	HDTRA1-14-1-0070	12.351	-	142,762
Total DoD - R&D Cluster				150,499	3,661,440
Environmental Protection Agency (EPA)					
	BFLT	FP-91750601	66.514	-	13,279
Total EPA - R&D Cluster				-	13,279
Department of Energy (DOE)					
Fossil Energy (National Energy Technology Laboratory)	DSCO	DE-FE0009878	81.089	-	162,471
Fossil Energy (National Energy Technology Laboratory)	DSWT	DE-FC26-05NT42591	81.xxx	1,079,234	2,361,637
Environmental Management	DWIP	DE-EM0003555	81.214	-	471,467
Total DOE - R&D Cluster				1,079,234	2,995,575
Federal Aviation Administration					
	RCOE1	15-C-CST-NMT-01,TASK 303	20.109	-	107,000
	RCOE2	15-C-CST-NMT-03	20.109	-	30,726
	RCOE4	15-C-CST-NMT-04 AMENDMENT 4	12.xxx	-	1,615
	RCST1	10-C-CST-NMT-002 TASK 228	20.109	-	19,693
	RCST2	CA 10-C-CST-NMT-4 TASK 293	20.109	-	18,656
	RCST3	CA10-C-CST-NMT-06 TASK 299	20.109	-	88,505
Total FAA - R&D Cluster				-	266,195
Bureau of Reclamation					
	RETS	R16AC00025	15.560	-	22,526
Total Bureau of Reclamation - R&D Cluster				-	22,526
Bureau of Land Management (BLM)					
	RNNM	L12AC20117	15.239	-	29,329
Total BLM - R&D Cluster				-	29,329
Department of Homeland Security					
	RSLT	2011-ST-062-000051	97.062	-	61,389
Total DHS - R&D Cluster				-	61,389
Department of State					
	RPSP30	S-LMAQM-13-CA-1287	19.xxx	-	(15,018)
Total DoS				-	(15,018)
National Park Service (NPS)					
	RSHC	P13AC01015_CP P13AC00969	15.944	-	26,625
	RMOD2	P13AC00970-CP-P13AC00969	15.944	-	3,763
Total NPS - R&D Cluster				-	30,388

See Notes to Schedule of Expenditures of Federal Awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

For the Year Ended June 30, 2016

Federal Grantor Program Title	Award #	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic Assistance (CDEA) Number	Passed Through Fiscal Year Subrecipient Expenditures	Fiscal Year Expenditures
National Science Foundation (NSF)					
	SARE	OCE-1434550	47.050	\$ -	40,580
	SASR	EAR-1516680	47.050	-	113,251
	SBER	EAR-1464546	47.050	-	51
	SCGH	AST-1109803	47.049	-	23,796
	SCRL	1561084	47.050	-	2,485
	SCSL	1445703	47.050	-	136,996
	SCYC	DGE-1303051	47.076	-	175,507
	SDAT	ANT-1142069	47.078	-	51,952
	SDCT	AGS-1342001	47.050	-	306,756
	SDHC	1551587	47.050	-	10,908
	SDMC	EAR-1246903	47.050	-	57,319
	SDPA	ANT-1043580	47.078	-	6,893
	SDRF	EAR-1141435	47.050	-	101
	SDYN	EAR-1015100	47.050	-	1,798
	SFCP	1557232	47.050	-	29,303
	SGDP	IOS-1354152	47.074	-	16,247
	SGRS	ANT-1141534	47.078	-	56,878
	SGSM	PLR-1304849	47.050	-	90,031
	SHWC	EAR-1344553	47.050	-	65,246
	SKAR	EAR-1141768	47.050	-	50,119
	SKRT	AGS-1205727	47.050	-	246,470
	SMES	AGS-1056254	47.050	-	69,488
	SMWN	DMR-1108466	47.049	-	46,944
	SPBC	EAR-1349361	47.050	-	10,851
	SREB	PLR-1142083	47.050	-	149,868
	SRFT	EAR-1053597	47.050	-	24,545
	SRSI	AST-1310800	47.049	43,015	139,758
	SSMB2	EAR-1348076	47.050	-	128,375
	STEP	ANT-1142115	47.078	-	51,100
	STIN	CMMI-1335199	47.041	-	78,926
	SVHA	EAR-1322089	47.050	-	34,936
Total NSF - R&D Cluster				43,015	2,217,478
US Geological Survey (USGS)					
	UGNM	G14AC00228	15.810	-	20,567
	UGSM	G15AC00243	15.810	-	145,723
	UHCC	G15AP00080	15.807	-	27,752
	UNCR	G10AC00463	15.819	-	(39)
	UPPC	G15AP00126	15.814	-	12,750
Total USGS- R&D Cluster				-	206,753
National Aeronautics & Space Administration(NASA)					
	YNEO	NNX15AG34G	43.001	-	438,539
	YNRA	NNX12AJ80G	43.001	-	23,463
	YSSC	NNX13AT08H	43.008	-	57,139
	YWIJ	NNX14AH47G	43.001	-	4,320
Total NASA- R&D Cluster				-	523,462
Total Research and Development Cluster Direct				1,272,748	10,012,793
OTHER DIRECT					
Department of State	RPSP6A	S-LMAQM-14-CA-1030	19.xxx	29,048	105,313
Total DOS				29,048	105,313
Department of Homeland Security					
	RT50	EMW-2013-CA-00166-S01	97.005	-	43,810
	RT60	EMW-2014-CA-00063-S01	97.005	2,047,137	10,521,109
	RT70	EMW-2015-CA-00060	97.005	141,834	6,642,890
Total DHS				2,188,971	17,207,809

See Notes to Schedule of Expenditures of Federal Awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

For the Year Ended June 30, 2016

Federal Grantor Program Title	Award #	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic Assistance (CDDFA) Number	Passed Through Fiscal Year Subrecipient Expenditures	Fiscal Year Expenditures
Department of Defense(DoD)					
Army	ACSA	BRIDGE FUND	12.xxx	\$ -	11,474
	ACST	W56HZV-14-C-0143	12.xxx	-	615
	AELS	W911QX-13-P-0028	12.xxx	-	(10,624)
	AIPA	IPA GREGORY KNAPP7/6/15- 7/5/16	12.xxx	-	255,376
	ARDT	W9124Q-05-H-0001	12.xxx	-	(65)
	ASOA	BRIDGE FUND	12.xxx	-	7,629
Air Force	FCAV	IPA CAVILEER	12.xxx	-	191,616
	FPIC1	PIA FA9453-11-3-0001/@2/CPO #1	12.615	-	1,063,158
	FLUZ	FA9453-10-2-0259	12.800	140,017	1,167,395
	FTND	FA4877-15-P-B036	12.xxx	-	35,785
Navy	NAW019	N00421-12-2-N009	12.xxx	-	(1,264)
	NCRG	IPA SCOTT T CRAIG 1/28/2014	12.xxx	-	253,792
	NDPI	IPA DAVID PINE	12.xxx	-	219,104
	NHBT	N41756-14-C-3297	12.xxx	-	8,999
	NMV1	N00173-01-2-C902	12.xxx	-	1
	NORD	PEAR DATED 3/16/15	12.xxx	-	(3,083)
	RCAV	IPA CAVILEER 2012-2014	12.xxx	-	(20,273)
	RRJA	IPA-ROBERT J ARNOLD AGREEMENT	12.xxx	-	(665)
	RRJB	IPA-ROBERT J ARNOLD AGREEMENT	12.xxx	-	238,882
	RRJC	OSD OF69 EXECUTED 6/15/16	12.xxx	-	4,819
Total DoD				140,017	3,422,671
Department of Education	REES	P031C110059	84.031	17,460	793,007
	RSES	P031S100145	84.031	-	278,876
	RSES	Title V Endowment	84.031	-	767,846
	RMST	P047M130504	84.047	-	231,000
	RUBT	P047A120523	84.047	-	196,977
Total Dept of Ed				17,460	2,267,706
Department of Labor	RFMG	MS-26919-15-55-R-35	17.600	-	79,474
	RFMH	MS-28297-16-55-R-35	17.600	-	37,350
Total DOL				-	116,824
Department of the Interior	RCKP	P14AC00575-P14AC00029	15.944	-	9,251
	RCKR	P15AC01175-P14AC00029	15.944	-	287,642
Total DOI				-	296,893
National Science Foundation	STEM	DUE-1161334	47.076	137,331	300,337
	STNG	DUE-1323744	47.076	-	12,455
Total NSF				137,331	312,792
National Aeronautics & Space Administration	YKSC	NNK12OR12C	43.xxx	-	3,593
	YMSN	NNM11AA27P	43.xxx	-	10,000
Total NASA				-	13,593
Office of the Federal Public Defender	RIED	O3-16461100109	12.xxx	-	9,767
Total OFPD				-	9,767
Office of Justice Programs	RSBT	2009-DG-BX-K002	16.580	-	(718)
	RSBB	2009-DG-BX-K002	16.808	-	(371)
	RSBZ	2009-DG-BX-K002	16.808	-	19,348
Total OJP				-	18,259
US Geological Survey	UIPA	IPA FOR JOCHEMS ANDREW	15.xxx	-	20,531
Total USGS				-	20,531

See Notes to Schedule of Expenditures of Federal Awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

For the Year Ended June 30, 2016

Federal Grantor Program Title	Award #	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic Assistance (CDFA) Number	Passed Through Fiscal Year Subrecipient Expenditures	Fiscal Year Expenditures
Total Other Direct				\$ 2,512,829	23,024,312
RESEARCH & DEVELOPMENT CLUSTER-PASS THROUGH					
National Oceanic and Atmospheric Administration					
Arizona State University	MURS	13-050	11.431	-	2,349
Total NOAA- R&D Cluster Pass Through				-	2,349
Department of Defense					
Johns Hopkins University	MDMT	2001645111	12.630	-	72,940
ERC, Inc.	PERF	RS131190	12.xxx	-	52,059
Total DoD- R&D Cluster Pass Through				-	124,999
Department of Homeland Security					
Northeastern University	MNEU	505092-78052	97.xxx	-	55,069
Total DHS - R&D Cluster Pass Through				-	55,069
National Science Foundation					
Incorporated Research Institutions for Seismology	PMDG	96-NMT-GEOICE	47.xxx	-	292,948
	PSAG	04-NMT-SAGE	47.050	-	2,944,010
	PSHA	04-NMT-SAGE REBILL ACCOUNT	47.xxx	-	17,471
National Radio Astronomy Observatory	MNRC	351900	47.049	-	16,758
	MNRJ	352087	47.049	-	17,854
	MNRR	352113	47.049	-	17,168
Regents of New Mexico State University	MCNH	Q01628	47.075	-	54,661
University of Alaska	MISU	FP30587-UAF13-0060	47.050	-	1,427
University of New Mexico	MENM	063026-8746-IIA-1301346	47.080	-	732,855
	MWAV	063030-8746	47.079	-	65,298
Total NSF- R&D Cluster Pass Through				-	4,160,450
National Aeronautics and Space Administration					
Jet Propulsion Laboratory	MPST	1531581	43.xxx	-	76,640
	PSRA	SUBCONTRACT# 1478543	43.xxx	-	12,127
Regents of New Mexico State University	MCAN	Q01729	43.008	-	11,211
	MJIV	Q01719	43.008	-	26,155
	MMSC	Q01840	43.008	-	8,371
	MRID	Q01810	43.008	-	6,995
	MZIV	Q01719	43.008	-	11,109
	MSCS	Q01724	43.001	-	3,836
	MSG9	Q01451	43.xxx	-	12,500
Smithsonian Astrophysical Observatory	MCSP	GO5-16008X	43.001	-	38,101
Total NASA- R&D Cluster Pass Through				-	207,045
Department of Energy					
Los Alamos National Laboratory	MARM	341059	81.xxx	-	20,000
	MDEM	243409-1	81.xxx	-	461
	MDST	336772	81.xxx	-	67,263
	MESM	315137	81.xxx	-	50,146
	MGBE	368937	81.xxx	-	156,885
	MHWG	309981	81.xxx	-	55,026
	MSDP	345258	81.xxx	-	2,000
	PCTA	366164	81.xxx	-	6,562
	MGBE	368937	81.xxx	-	2,024
	PSTD	09123-03	81.xxx	274,640	363,781

See Notes to Schedule of Expenditures of Federal Awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

For the Year Ended June 30, 2016

Federal Grantor Program Title	Funding Agency Identification		Catalog of Federal Domestic Assistance (CDA) Number	Passed Through Fiscal Year Subrecipient Expenditures	Fiscal Year Expenditures
	Award #	Number/Contract ID			
Research Partnership to Secure Energy for America	PPTS	12123-16	81.xxx	\$ -	262,865
Sandia National Laboratories	MCDN	1545638	81.xxx	-	56,970
	MCRA	1627927	81.xxx	-	6,029
	MCSS	PO 1687838	81.xxx	-	2,958
	MHAD	1376548	81.xxx	-	48,863
	MMEG	1415664	81.xxx	-	54,806
	MMSM	1613716	81.xxx	-	5,558
	MPTR	PO 1415058	81.xxx	-	29,369
	MRGS	1689232	81.xxx	-	3,964
	MSDE	1592826	81.xxx	-	13,051
	MSMS	PO 1520051	81.xxx	-	39,695
	MSMB	1689953	81.xxx	-	3,965
NMC, Inc.	PVAP	206-01	81.xxx	-	2,617
Total DOE- R&D Cluster Pass Through				274,640	1,254,858
Department of Health and Human Services					
Regents of New Mexico State University	MER12	Q01679	93.859	-	92,444
	MER13	Q01679	93.859	-	28,940
	MER14	Q01679	93.859	-	19,625
	MERB7	Q01679	93.859	-	45,785
	MERB8	Q01679	93.xxx	-	38,312
	MERB9	Q01679	93.859	-	85,355
	MER15	Q01679	93.xxx	-	75,970
	MER16	Q01679	93.xxx	-	20,623
	MER17	Q01679	93.859	-	8,491
	MER18	Q01679	93.xxx	-	26,580
	MER19	Q01679	93.xxx	-	15,547
	MER21	Q01679	93.xxx	-	22,923
University of New Mexico	MAFC	986090-8746	93.859	-	21,613
Total DHHS- R&D Cluster Pass Through				-	502,208
Total R&D Cluster Pass Through				274,640	6,306,979
OTHER PASS THROUGH					
Department of Health and Human Services					
University of New Mexico	MCOS	MOA 8/8/12	93.xxx	-	10,907
University of New Mexico	MSPF	028344-8746	93.xxx	-	26,530
Total DHHS-Pass Through				-	37,437
National Science Foundation					
UNAVCO, Inc.	MGPS	S13-EAR1261833-S1	47.050	-	139,080
UNAVCO, Inc.	MCGM	PO 015801	47.082	-	(89)
Incorporated Research Institutions for Seismology	PSAG	04-NMT-SAGE	47.050	-	1,904,641
Regents of New Mexico State University	MAMT	Q01617	47.076	-	25,426
Total NSF-Pass Through				-	2,069,058
National Aeronautics & Space Administration					
Regents of New Mexico State University	MSSG	Q01807	43.008	-	25,000
Total NASA - Other Cluster Pass Through				-	25,000
Department of Homeland Security-Emergency Management					
New Mexico DHSEM	MEVS	EMW-2014-EP-00039-S01	97.042	-	4,204
	MNME	EMW-2015-EP-00066-S01 NMIT	97.042	-	1,473
Total DHSEM-Pass Through				-	5,677

See Notes to Schedule of Expenditures of Federal Awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

For the Year Ended June 30, 2016

Federal Grantor Program Title	Award #	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic Assistance (CDFA) Number	Passed Through Fiscal Year Subrecipient Expenditures	Fiscal Year Expenditures
Other Government Agencies					
DI Contracts	RLSC	2015-15020400006	12.xxx	\$ -	49,662
Total OGA-Pass Through				-	49,662
Department of Energy					
Sandia National Laboratories	MBCD	1241903	81.xxx	-	111,020
	MCTD	PO 1493578	81.xxx	-	(124)
	METR	1415731	81.xxx	-	(915)
	METR2	1482604	81.xxx	-	1,155
	MFAT	1466679	81.xxx	-	(1,349)
	MFAT2	1570695	81.xxx	-	64,355
	MGUN3	1399125	81.xxx	-	31,855
	MHEU	1566891	81.xxx	-	257,566
	MLEG	1667614	81.xxx	-	49,308
	MLEW	1667607	81.xxx	-	117,794
	MPOL3	1335747	81.xxx	-	(2,673)
	MPOL5	1473233	81.xxx	-	(3,203)
	MPOL6	1485148	81.xxx	-	(20,732)
	MPOL65	1517800	81.xxx	-	822
	MPOL7	1550726	81.xxx	-	(14,048)
	MRNT	BRIDGE FUNDING	81.xxx	-	2,332
	MSED	1607119	81.xxx	-	22,961
	MSRM	1368709	81.xxx	-	400
	MSTY	1419759	81.xxx	-	34,516
	MWDG	1577116	81.xxx	-	249,640
Lawrence Livermore National Laboratory	MLAT	B616490	81.xxx	-	2,772
Los Alamos National Laboratory	MEEL	355201	81.xxx	-	38,713
NMC, Inc.	MEDC	COLLAB-2016-214	81.xxx	-	1,819
Total DOE-Pass Through				-	943,984
Department of Education					
NM Higher Education Department	MITQ2	15-950-1200-00004	84.xxx	-	39,703
	MITQ3	16-950-1200-0002	84.xxx	-	120,000
University of New Mexico	MEFM	P0122360	84.xxx	-	500
	MTES	P0121150	84.xxx	-	1,000
Total Dept of Ed-Pass Through				-	161,203
Total Other Cluster Pass Through				-	3,314,210
Student Financial Aid Cluster					
Pell Grant			84.063	-	2,076,841
Supplemental Educational Opportunity Grant (SEOG)			84.007	-	202,298
College Work Study			84.033	-	190,287
Perkins Loan			84.038	-	95,391
Perkins Loan - Beginning of the Year Balance			84.038	-	2,460,811
Direct Subsidized Stafford Loan (DSL)			84.268	-	1,683,047
Direct Unsubsidized Stafford Loan (DSL)			84.268	-	2,502,039
Direct Parent Loan for Undergraduate Students (DPLUS)			84.268	-	176,807
Total SFA Cluster				-	9,387,521
Total FY2016 Schedule of Expenditures of Federal Awards				\$ 4,060,217	52,791,472

See Notes to Schedule of Expenditures of Federal Awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

NOTE A – GENERAL

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Institute under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Institute. The Institute receives annual Facilities and Administrative Forward Indirect Cost Rates approved by the Office of Naval Research before the beginning of each year.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Amounts related to pass through grants are classified as private grants and contracts in the accompanying statement of revenues, expenses, and changes in net position.

NOTE C – INDIRECT COST RATE

The Institute has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D – FEDERAL LOAN PROGRAM

The Perkins Loan Program (CFDA #84.038) is administered directly by the Institute and balances and transactions relating to this program are included in the Institute's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. Total outstanding loans under this U.S. Department of Education program at June 30, 2016 were \$2,179,074.

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

Board of Regents
New Mexico Institute of Mining and Technology
Socorro, New Mexico
and
Mr. Timothy Keller
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each discretely presented component unit and the fiduciary fund, and related notes, which collectively comprise the basic financial statements of the New Mexico Institute of Mining and Technology (the Institute), as of and for the year ended June 30, 2016. We have also audited the budgetary comparison schedules presented as supplementary information in the accompanying financial statements as of and for the year ended June 30, 2016 and the related notes and have issued our report thereon dated November 11, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or

significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2015-001, 2016-001, 2016-005 and 2016-006, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-002, 2016-004, 2016-007, 2016-008 and 2016-009.

The Institute's Response to Findings

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

Purpose of this Report

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

ATKINSON & CO., LTD

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 11, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE, REQUIRED BY THE UNIFORM GUIDANCE**

Board of Regents
New Mexico Institute of Mining and Technology
Socorro, New Mexico
and
Mr. Timothy Keller
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the Institute's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Institute's major federal programs for the year ended June 30, 2016. The Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Institute's major federal programs based on our audits of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances on noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

ATKINSON & CO., LTD

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 11, 2016

SUMMARY OF PRIOR AND CURRENT AUDIT FINDINGS

Year Ended June 30, 2016

Prior Year Findings

Status

Findings – Financial Statement

2013-002	Purchase Order and Other Authorizations (Material Weakness)	Repeated and Modified
2015-001	Endowment Account Reconciliation and Tracking (Material Weakness)	Repeated and Modified
2015-002	Pension Census Data Transmission (Significant Deficiency)	Resolved
2015-003	Component Unit (NM Tech Foundation) Patent Reconciliation and Classification (Significant Deficiency)	Resolved

Findings in Accordance with 2.2.2 NMAC (State Audit Rule)

None

Findings – Federal Award Findings and Questioned Costs

None

Current Year Findings

Findings – Financial Statement

2013-002	Purchase Order and Other Authorizations (Deficiency in Internal Control)
2015-001	Endowment Account Reconciliation and Review (Significant Deficiency)
2016-001	System Access Rights (Significant Deficiency)
2016-004	Implementation of Software Updates (Deficiency in Internal Control)
2016-005	Component Unit (Foundation) Financial Close and Reporting – Lack of Segregation of Duties (Significant Deficiency)
2016-006	Component Unit (Trust) Lack of Segregation of Duties (Significant Deficiency)

Findings in Accordance with 2.2.2 NMAC (State Audit Rule)

2016-007	Expenditures in Excess of Budget (Other Noncompliance)
2016-008	Investment Policy Out Of Date (Other Noncompliance)
2016-009	Violations of Purchase Card Policies (Other Noncompliance)

Findings – Federal Award Findings and Questioned Costs

2016-002	Post Federal Award Requirements - Device Security and Personally Identifiable Information (Other Noncompliance)
2016-003	Special Tests and Provisions: Verification - Incomplete Written Policies and Implementation (Other Noncompliance)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes ___ No

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
SFA Cluster	Student Financial Assistance Cluster
47.050	Geosciences
84.031	Higher Education Institutional Aid

Dollar threshold used to distinguish between type A and type B programs \$1,487,550

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

SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

B. FINANCIAL STATEMENT FINDINGS

**2013-002 PURCHASE ORDER AND OTHER AUTHORIZATIONS
(DEFICIENCY IN INTERNAL CONTROL)**

CONDITION

In connection with our review of procurements, we reviewed certain invoices and purchase orders. Management identified nine vendor purchases totaling about \$51,000 out of over 19,560 cash disbursements made by the Institute during 2016 totaling approximately \$54 million where the approval date (appropriate authorization) on the purchase orders were after the date of the invoice submitted by the vendor for payment for goods or services ordered and received. The disbursements appeared reasonable and necessary.

Corrective Action Update: The Purchasing Services Office has been working diligently to ensure that all purchases follow the procurement policy. Training for departments and individuals continues to be done. The number of instances of violations continues to decline.

CRITERIA

NMSA 1978, Section 13-1-157 of the procurement code for goods, as well as the procurement policy of the Institute which covers both goods and services, specifies that a purchase order is required before the service or product is received. NMAC 1.4.1.94.D states that on or after July 1, 2015, only certified chief procurement officers (CPO) may, among other things, issue purchase orders and authorize small purchases; and approve procurement pursuant to the State Procurement Code.

CAUSE

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

EFFECT

An identified nine out of 19,560 cash disbursements were out of compliance with the Institute's procurement policy. The protections of the purchase order control procedure were not applied before the incurring of an expenditure which increases the possibility of an inappropriate expenditure. The Institute was obligated for expenditures without proper approval.

RECOMMENDATION

Purchase orders should be obtained in advance of execution of the actual purchase for all department procurements. Procurement procedures should be followed in all situations.

MANAGEMENT RESPONSE

Four of the nine purchases mentioned in this finding were for personal computing devices over \$1,000. Personal computing devices are required by policy to be purchased using a purchase order (PO) solely for hard drive tracking purposes but otherwise would not violate procurement policy. The Institute will revise the language in the policy to be clear on the intent. The remaining five purchases resulted in an unintentional violation of the policy and were due mainly to some confusion due to two departments being involved without clear understanding of which one would process the paperwork. The Purchasing Services Office has been working diligently to insure that all purchases follow the procurement policy with the plan to revise by July 1, 2017.

SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2016

B. FINANCIAL STATEMENT FINDINGS – CONTINUED

2013-002 PURCHASE ORDER AND OTHER AUTHORIZATIONS (DEFICIENCY IN INTERNAL CONTROL) – CONTINUED

MANAGEMENT RESPONSE – CONTINUED

Training for departments and individuals continues to be done. The purchasing policy will be reviewed to be clear as to the consequences for departments and/or individuals who do not follow proper procedure and to address instances where all purchases are handled correctly. The instances mentioned in this finding represent an extremely small percentage of the total purchases that occurred during the year.

CORRECTIVE ACTION

The purchasing policy will be reviewed to be clear as to the consequences for departments and/or individuals who do not follow proper procedure and to address instances where all purchases are handled correctly.

POINT OF CONTACT

Chief Procurement Officer

2015-001 ENDOWMENT ACCOUNT RECONCILIATION AND REVIEW (SIGNIFICANT DEFICIENCY)

CONDITION

There is no detailed review of endowment investment fund-level gain/loss allocations, annual spending calculations, or source documentation.

Corrective Action Update: The process for recording endowment activity has been implemented as noted in the prior year; however, as the process continues to be implemented, other deficiencies have been noted.

CRITERIA

Per the Institute's investment policy, endowment corpus (principal) should be set aside for investment purposes and income earned from these invested funds shall be used as designated by the donor or governing body the annual amount of which is based on the Institute's spending policy. The purpose and authorized spending of endowment funds should be documented and monitored to ensure that funds are being used appropriately.

CAUSE

Staffing changes and summary or ad hoc detailed review of periodic accounting entries. As the calculations are a manual process, the risk of error is higher than for an automated process.

EFFECT

One endowment fund's investments and current year gains were overstated by \$751,756.

SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2016

B. FINANCIAL STATEMENT FINDINGS – CONTINUED

**2015-001 ENDOWMENT ACCOUNT RECONCILIATION AND REVIEW
(SIGNIFICANT DEFICIENCY) – CONTINUED**

RECOMMENDATION

We recommend that someone other than the preparer of the calculations and adjusting entries perform a detailed review of the calculations including spreadsheet formulas, assumptions and source documentation.

MANAGEMENT RESPONSE

The gain/loss allocations are determined by calculating the pro rata share of net earnings for the year and are based on and reconciled to actual financial statements received by the state investment council, Morgan Stanley and Scottrade. The spending formula is calculated using fiscal year-end values at the 5 year average x 4.5% per the NMT policy for distribution. These numbers also reconcile to the endowment investment account balances at fiscal year-end. We agree that an automated program (rather than Excel), would greatly benefit the distribution process and minimize the risk of human error not only in the calculations, but within the journal entries as well, and we are currently reviewing a program that is already a part of the Banner software to see if this can be integrated into the existing set up.

CORRECTIVE ACTION PLAN

NMT Administration has recognized the higher level of scrutiny that is needed to manage the endowment/investment pool activity and from that, has allowed for an additional employee to be added to the sponsored projects cost accounting department which will provide another individual to review these calculations at the detailed level that is being recommended. This change has been implemented for FY17.

POINT OF CONTACT

Sr. Accounting Manager, Sponsored Projects/Cost Accounting

2016-001 SYSTEM ACCESS RIGHTS (SIGNIFICANT DEFICIENCY)

CONDITION

Active user rights are not periodically reviewed by department heads or managers; a task which is required by Institute policy. Currently, the ITC Department does not provide a periodic list of active users and level of user rights to the department heads to monitor and communicate back to the IT Department when applicable. The IT department cannot effectively add/remove user rights for the new position without proper notification from the departments.

In addition, students who also work on campus have access to both the student side and faculty side of the network. Students which may not need broad user right access may otherwise be able to view other student data and have administrator access to the network.

SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2016

B. FINANCIAL STATEMENT FINDINGS – CONTINUED

2016-001 SYSTEM ACCESS RIGHTS (SIGNIFICANT DEFICIENCY) – CONTINUED

CRITERIA

The Banner User Security Policy establishes guidelines for setup (new users), change and removal of user rights to Banner forms and for periodic audit of assigned levels of user rights. New users are given system access permission rights only after supervisors and/or directors approved completed Banner Access Request Forms. Usage and access of broad user right access by students is not closely monitored to ensure access is only happening at appropriate times and from appropriate terminals.

CAUSE

The IT Department is currently in the process of working with various department heads to establish templates for user rights, effectively assigning default access roles to specific job titles (Payroll Specialist, Accounts Payable Supervisor, etc.).

EFFECT

System and data integrity are at risk.

RECOMMENDATION

We recommend that the Institute implement the established procedures in a timely fashion. This issue is always going to be present as students work on campus and need access to the administrative side of the network; however, we would strongly recommend student access rights be closely monitored and restricted to the bare minimum required to accomplish their duties.

MANAGEMENT RESPONSE

These issues are being addressed, however, due to limited resources and the complex nature of the data needed to be reviewed, it is a slow process. The ITC department does not currently provide lists of users and user rights to departments for review and update. Establishing templates for assignment of roles is very complex and involves thousands of Banner tables. Many templates have already been completed for the high risk areas of Human Resources, Payroll, Accounts Payable and the Travel Office. A procedure for sending out periodic lists to departments will be established and implemented and templates will continue to be established as resources allow.

CORRECTIVE ACTION PLAN

A procedure for sending out periodic lists to departments will be established and implemented and templates will continue to be established as resources allow. Finance review has been started with a completion date of FY18, with plans to begin Student Accounts review by June 2017.

POINT OF CONTACT

Director ITC

SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2016

B. FINANCIAL STATEMENT FINDINGS – CONTINUED

2016-004 IMPLEMENTATION OF SOFTWARE UPDATES (DEFICIENCY IN INTERNAL CONTROL)

CONDITION

There is sometimes a significant time lag between release and implementation of software updates for Banner and other programs.

CRITERIA

Software updates should be implemented timely to ensure that updates to modules like financial aid and payroll are not out of date.

CAUSE

ITC does not usually implement software updates immediately upon release by Ellucian. It is common to wait for a period of time to allow other schools to troubleshoot and test the update before implementation by NM Tech and this testing period can take quite some time if not properly managed.

EFFECT

Lag time in implementation of certain software updates may cause noncompliance in areas with many updates in the year.

RECOMMENDATION

We recommend the IT Department develop a procedure to ensure a timelier implementation of software updates and patches.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

There are departments that have five or more updates during the year that affect several modules within Banner. ITC has to allow departments whose modules are affected to test these updates before implementing. Once testing is complete and ITC is notified, ITC implements the update. Banner updates are more frequent and each update impacts more modules. Updates and the need to migrate to Banner XE necessitate more staff time to perform and test the updates. The open staff position at ITC related to server support needs to be filled. Communication with all parties has been implemented for FY17. Timelines will be established for current testing to be implemented by June 2017.

POINT OF CONTACT

Director ITC

SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2016

B. FINANCIAL STATEMENT FINDINGS – CONTINUED

2016-005 COMPONENT UNIT (FOUNDATION) FINANCIAL CLOSE AND REPORTING – LACK OF SEGREGATION OF DUTIES (SIGNIFICANT DEFICIENCY)

CONDITION

During our audit of the Foundation, we observed a lack of segregation of duties existed necessary for accurate and complete financial close and reporting areas due to reduction in accounting personnel in the prior year. The Foundation's current general ledger accountant has knowledge and experience to ensure the Foundation's account balances and transactions are recorded and reconciled but a second individual is currently not involved who also has accounting knowledge and expertise and is also familiar with the Banner software. As a result, there was no proper segregation of duties during the year over review and approval of certain monthly, quarterly or annual financial and accounting reconciliations.

We also became aware of an unrecorded investment in Srypto, Inc. (Srypto) by the Foundation for purposes of commercialization of specific patented technology owned by the Foundation. This ongoing investment in Srypto was not disclosed to us in the past and not recorded in the financial statements. We were informed that there was no longer a continuing involvement or ownership with this organization upon settlement of a lawsuit. However, while reviewing the legal files, we noted that there was legal expense paid by the Foundation related to reviewing shareholder agreements, board meeting minutes, and similar items.

CRITERIA

It is management's responsibility to have good accounting practices and a control structure in place that will allow the Institute to reconcile and account for balances and transactions within its financial accounting system in conformity with accounting principles generally accepted in the United States of America.

CAUSE

Until the current year the Foundation had two accountants involved with recording basic cash receipts and disbursements transactions along with reconciled accrual transactions on a monthly, quarterly or annual basis. The former Secretary-Treasurer who then worked with the current accountant on reconciling the account balances to supporting source documents and records retired prior to the start of the current fiscal year which caused segregation of duties to diminish.

The Srypto investment was not recorded from inception nor reported in the financial statements in previous years. In 2015, it was reported that the Foundation's investment was terminated.

EFFECT

As a result of the lack of segregation of duties involving a replacement with an accountant employed by the Foundation at least on a part time basis, it was necessary for several entries to be proposed and recorded to correctly classify and present account balances in the financial statements for the year ended June 30, 2016. Risk of error exists over financial close and reporting.

The Foundation has a remaining ownership interest, which in management's opinion has no market value, and management has determined is fully impaired.

SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2016

B. FINANCIAL STATEMENT FINDINGS – CONTINUED

2016-005 COMPONENT UNIT (FOUNDATION) FINANCIAL CLOSE AND REPORTING – LACK OF SEGREGATION OF DUTIES (SIGNIFICANT DEFICIENCY)

CONDITION

During our audit of the Foundation, we observed a lack of segregation of duties existed necessary for accurate and complete financial close and reporting areas due to reduction in accounting personnel in the prior year. The Foundation's current general ledger accountant has knowledge and experience to ensure the Foundation's account balances and transactions are recorded and reconciled but a second individual is currently not involved who also has accounting knowledge and expertise and is also familiar with the Banner software. As a result, there was no proper segregation of duties during the year over review and approval of certain monthly, quarterly or annual financial and accounting reconciliations.

We also became aware of an unrecorded investment in Srypto, Inc. (Srypto) by the Foundation for purposes of commercialization of specific patented technology owned by the Foundation. This ongoing investment in Srypto was not disclosed to us and not recorded in the financial statements. We were informed that there was no longer a continuing involvement or ownership with this organization upon settlement of a lawsuit. However, while reviewing the legal files, we noted that there was legal expense paid by the Foundation related to reviewing shareholder agreements, board meeting minutes, and similar items.

RECOMMENDATION

We recommend the Foundation engage a second accountant to re-establish proper segregation of duties to ensure that all account balances and transactions are reconciled within the Banner system in a timely manner with proper review and approval by a person with accounting knowledge, skill and experience.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Management is currently working with finance staff to review the segregation of duties related to the process in both financial closing and reporting. The change has been implemented for FY17 with additional support to assist with the review to be hired by June 2017.

POINT OF CONTACT

NMT Research Foundation Accountant

SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2016

B. FINANCIAL STATEMENT FINDINGS – CONTINUED

**2016-006 COMPONENT UNIT (TRUST) LACK OF SEGREGATION OF DUTIES
(SIGNIFICANT DEFICIENCY)**

CONDITION

Human Resources maintains a list of employees that covers all open enrollment health and life benefit elections. This list is maintained by the Assistant Director of Human Resources. Anyone in the HR department can change health and life benefit elections to an employee's HR master file in Banner without proper segregation of duties.

CRITERIA

It is management's responsibility to have good accounting practices and a control structure in place that will allow the Institute and the Trust to reconcile and account for balances and transactions within its financial accounting system in conformity with accounting principles generally accepted in the United States of America.

CAUSE

During our audit of the NM Tech Employee Benefit Trust Plan, we found that the Assistant Director of Human Resources (HR) has the ability to make changes to employee health and life benefits in the Banner system without review or approval by a second HR employee using a system internal control of an electronic signature based on user right credentials.

EFFECT

Currently, there is a lack of segregation of duties for review and approval of employee health and life benefit changes made to a participant's master file in Banner.

RECOMMENDATION

The Assistant Director of HR reviews her own data input for election of health and life benefits for current employees and retirees. To ensure the changes are entered into the system accurately a second review or approval should be done.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We concur with this finding. A second person in the HR Office will be assigned to review the health and life election changes as they occur before the payroll is run. Implementation is planned for FY17.

POINT OF CONTACT

Director Human Resources

SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2016

C. FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC (STATE AUDIT RULE)

2016-007 EXPENDITURES IN EXCESS OF BUDGET (OTHER NONCOMPLIANCE)

CONDITION

The Institute's actual expenditures exceeded the approved budget in the following areas:

- Restricted Current Funds – Student aid \$1,040,128
- Restricted Current Funds – Independent operations \$493,806

CRITERIA

Per 5.3.4.10 NMAC, total expenditures may not exceed amounts shown in the approved budgets at the level of budgetary control. Adequate internal controls to minimize budget overspending should ensure that budgets are not exceeded by any amount.

CAUSE

Expenditures were approved for payment when budgeted funds were not available. Budget adjustment requests were not completed to cover the increase in expenditures.

EFFECT

Continued spending in excess of the budget could result in a shortfall of cash, a reduction in reserves and deterioration of the Institute's overall financial health.

RECOMMENDATION

We recommend that budget controls and processes at the Institute be strengthened to ensure that budgeted amounts are not overspent and budget adjustments are completed on a timely basis.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We concur with this finding. Although actual amounts spent may have been in excess of the approved budgeted amount there was a review process in place to ensure that there were indeed funds available to cover the expenses. In the future, management will review budget to actual figures on an interim basis to ensure that all amounts expended are within the approved budget parameters. If required, a budget adjustment request will be prepared to adjust the budgeted amounts as needed. This change will be implemented during the first quarter of FY17.

POINT OF CONTACT

Associate Vice President for Administration and Finance as well as
Associate Director for Budget and Analysis

SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2016

C. FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC – CONTINUED

2016-008 INVESTMENT POLICY OUT OF DATE (OTHER NONCOMPLIANCE)

CONDITION

The Institute's investment policy has not been formally amended by the Board since December 2013 and remains out of compliance with state law that requires adoption of 21-1-38 NMSA 1978, which are the New Mexico Uniform Prudent Management of Institutional Funds Act (NM UPMIFA) standards in accordance with NMSA 46-9A-4 NMSA 1978.

CRITERIA

Chapter 46-9A NMSA 1978 requires the formal adoption of the Uniform Prudent Management of Institutional Funds Act as policy when managing fiduciary or trust funds. The purpose of adopting the NM UPMIFA standards, which includes guidance for endowment funds that have lost value and are "underwater", should be documented and monitored to ensure that funds are being used appropriately under current law.

CAUSE

The last investment policy revision in 2013 by the board adopted the New Mexico Uniform Prudent Investor Act (NM UPIA), 45-7-601 et seq. NMSA 1978; however, NM UPMIFA was not adopted at that time.

EFFECT

Proper application of NM UPMIFA requirements for endowments may not be understood by management without proper guidance in the Institute's Investment Policy and therefore application of endowment accounting is not in accordance with state law.

RECOMMENDATION

We continue to recommend the Board of Regents revise the Institute's investment policy to include the NM UPMIFA, which implicitly calls upon the governing board to decide how they will interpret the requirements to preserve endowment funds.

MANAGEMENT RESPONSE

The university concurs with the finding.

CORRECTIVE ACTION PLAN

The university has drafted a revised investment policy for the President and the Board of Regents to review. A policy should be approved, this year, at one of the upcoming Regents meetings and with implementation by March 2017. The amended policy includes an adoption of the Uniform Management of Institutional Funds Act. In addition, the University will include a copy of New Mexico Tech's amended investment policy, the Uniform Prudent Investor Act and the Uniform Management of Institutional Funds Act in the investment committee's orientation packet for their review and continual concurrence.

POINT OF CONTACT

Vice-President for Administration and Finance

SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2016

C. FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC – CONTINUED

2016-009 VIOLATIONS OF PURCHASE CARD POLICIES (OTHER NONCOMPLIANCE)

CONDITION

During our audit, we identified several compliance violations of the Institute's Purchasing Card Policy and Procedures Manual (P-Card Policy). First, we identified two instances in which the P-card transaction was not approved in a timely manner. Second, we found one instance in which a transaction exceeded the employee's \$1,000 transaction limit; however, no waiver form was on file for the transaction. Third, a violation of the Institute's P-card policy occurred where one purchase out of 25 tested was for PayPal, which is specifically listed in the policy as a prohibited transaction.

CRITERIA

The Purchasing Card Policy and Procedures Manual (P-Card Policy) maintains a listing of specific types of restricted and prohibited items and requires all P-Card purchases to be approved in advance for restricted purchases. The P-Card Policy requires "obtaining a signed P-Card Waiver Form prior to making any transaction on the Purchasing Card Uses - Restricted listing". Prohibited items on that list in the P-Card Policy are, by definition, unallowable to purchase.

CAUSE

P-card transactions are not adequately or timely reviewed to avoid payment of potentially invalid transactions. Employees are unaware of or disregard P-card policies.

EFFECT

Minor violations, as defined in the P-Card Policy, were committed.

RECOMMENDATION

We recommend that, as with general procurement training, employees are made aware of the major provisions of the policy and that more stringent review of transactions occur. Employees tasked with approving transactions should be required to do so timely.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

The Purchasing Services Office will work with all P-Card approvers to be sure they are aware of the requirement of prompt approval for these transactions. Also, the waiver process will be examined to determine what can be done to control the waiver process to include the termination of the waivers granted in order to avoid exceeding of transaction limits.

At this time, the gym is the only department that is given a waiver to use PayPal for their registration fees because it is the only method of payment accepted by the vendor. As it happens, neither the gym nor purchasing department could find the waiver for this particular instance, but it did have waivers on file for the other four instances that occurred in FY16.

The CPO, by virtue of granting the waivers for PayPal, will move it from the prohibited list to the restricted list. Changes to the procedures were implemented for FY17.

POINT OF CONTACT

Chief Procurement Officer

SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2016

D. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2016-002 POST FEDERAL AWARD REQUIREMENTS - DEVICE SECURITY AND PERSONALLY IDENTIFIABLE INFORMATION (OTHER NONCOMPLIANCE)

Funding Agency: Department of Education

Program: Student Financial Assistance Cluster and Higher Education-Institutional Aid

CFDA No.: 84.007, 84.033, 84.038, 84.063, 84.268, and 84.031

Period: 7/1/15-6/30/16, 10/1/14-9/30/15 and 10/1/15-9/30/16

Funding Agency: National Science Foundation

Program: Geosciences

CFDA No.: 47.050

Period: 7/1/15-6/30/16, 10/1/14-9/30/15 and 10/1/15-9/30/16

CONDITION

Based on audit procedures performed, we gained an understanding from the IT Department that computers and other devices do not currently have remote wipe capability nor are they encrypted.

CRITERIA

The Institute's Information Technology and Communications (ITC) Banner User Security Policy (last updated in October 2014) has not been updated to add policies and procedures for protection of Protected Personally Identifiable Information (PPII) to be compliant with 2 CFR 200.303(e) which requires non-federal entities to take reasonable measures to safeguard PPII and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.

CAUSE

Unknown.

EFFECT

Portable devices could contain PPII which increases the risk of theft and increases the consequences of both theft and loss. The Institute is not in compliance with federal award requirements.

RECOMMENDATION

We recommend that management update IT policies to be compliant with federal regulations and determine an effective strategy for safeguarding PPII.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION

ITC will work with the administration to address this issue. Specific things to be considered will be requiring all personal computers to have encrypted hard drives, increased utilization of VDIs and storing documents on the H drive. By June 2017 the Campus Technology Committee will establish policies and procedures to bring to the administration for review.

SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2016

D. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – CONTINUED

2016-002 POST FEDERAL AWARD REQUIREMENTS - DEVICE SECURITY AND PERSONALLY IDENTIFIABLE INFORMATION (OTHER NONCOMPLIANCE) – CONTINUED

POINT OF CONTACT
Director ITC

2016-003 SPECIAL TESTS AND PROVISIONS: VERIFICATION – INCOMPLETE WRITTEN POLICIES AND IMPLEMENTATION (OTHER NONCOMPLIANCE)

Funding Agency: Department of Education
Program: Student Financial Assistance Cluster
CFDA No.: 84.007, 84.033, 84.038, 84.063, and 84.268
Period: 7/1/15-6/30/16

CONDITION

During our single audit of the Student Financial Assistance Cluster of federal programs, we found the Institute's written Financial Aid Verification Policy did not include the required student notifications.

CRITERIA

Per 34 CFR 668.53, the Institute must update their written Financial Aid Verification Policy and procedures for verification of a student information on an applicant's FAFSA (Free Application for Federal Student Aid) information to include the requirement for notification to students.

CAUSE

This compliance violation was brought to the Financial Aid Director's attention in FY13; however, due to the Financial Aid Director leaving NMT the information was not passed on to her successor. Therefore, no one currently employed was aware of the problem until this audit.

EFFECT

The Financial Aid Office was following their written procedure as set out by the Department of Education, but had not incorporated the additional requirements for the notifications to the students and had not updated the Institute's policy. Therefore, verification of the students' FAFSA information was done correctly, but the student notifications were not being done.

RECOMMENDATION

We are aware that the Financial Aid Office has updated the policy effective for FY17 (during August 2016).

SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2016

D. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – CONTINUED

**2016-003 SPECIAL TESTS AND PROVISIONS: VERIFICATION – INCOMPLETE
WRITTEN POLICIES AND IMPLEMENTATION (OTHER NONCOMPLIANCE)
– CONTINUED**

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

The written policy has been updated and the additional requirements for student notifications have been implemented for FY17.

POINT OF CONTACT

Director Financial Aid

New Mexico Institute of Mining and Technology

EXIT CONFERENCE

June 30, 2016

An exit conference was held on November 10, 2016, with the following in attendance:

For the New Mexico Institute of Mining and Technology and all component units:

Dr. Stephen Wells	President
Dr. Cleve McDaniel	Vice President for Finance and Administration
Jerry Armijo	Regent, Secretary/Treasurer
David Gonzales	Regent
Angie Gonzales	Associate Director of Human Resources
Charles Hendrickson	Associate Vice President for Finance and Administration
Arleen Valles	Director of Finance
Emma Aafloy	Associate Director of Budget
Carrie Marsyla	Senior Accounting Manager Sponsored Projects
Camille Gurule	Assistant Controller
Melissa Tull	Controller
Gayle Bailey	Director of Sponsored Projects
Kimela Miller	Chief Procurement Officer
Jenny Ma	Accountant
Colleen Foster	Executive Director

For Atkinson & Co., Ltd.:

Clarke Cagle, CPA, CCIFP, CGFM	Audit Director
--------------------------------	----------------

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