

NEW MEXICO TECH
SCIENCE • ENGINEERING • RESEARCH UNIVERSITY

AUDIT REPORT 2019
Year ending June 30, 2019

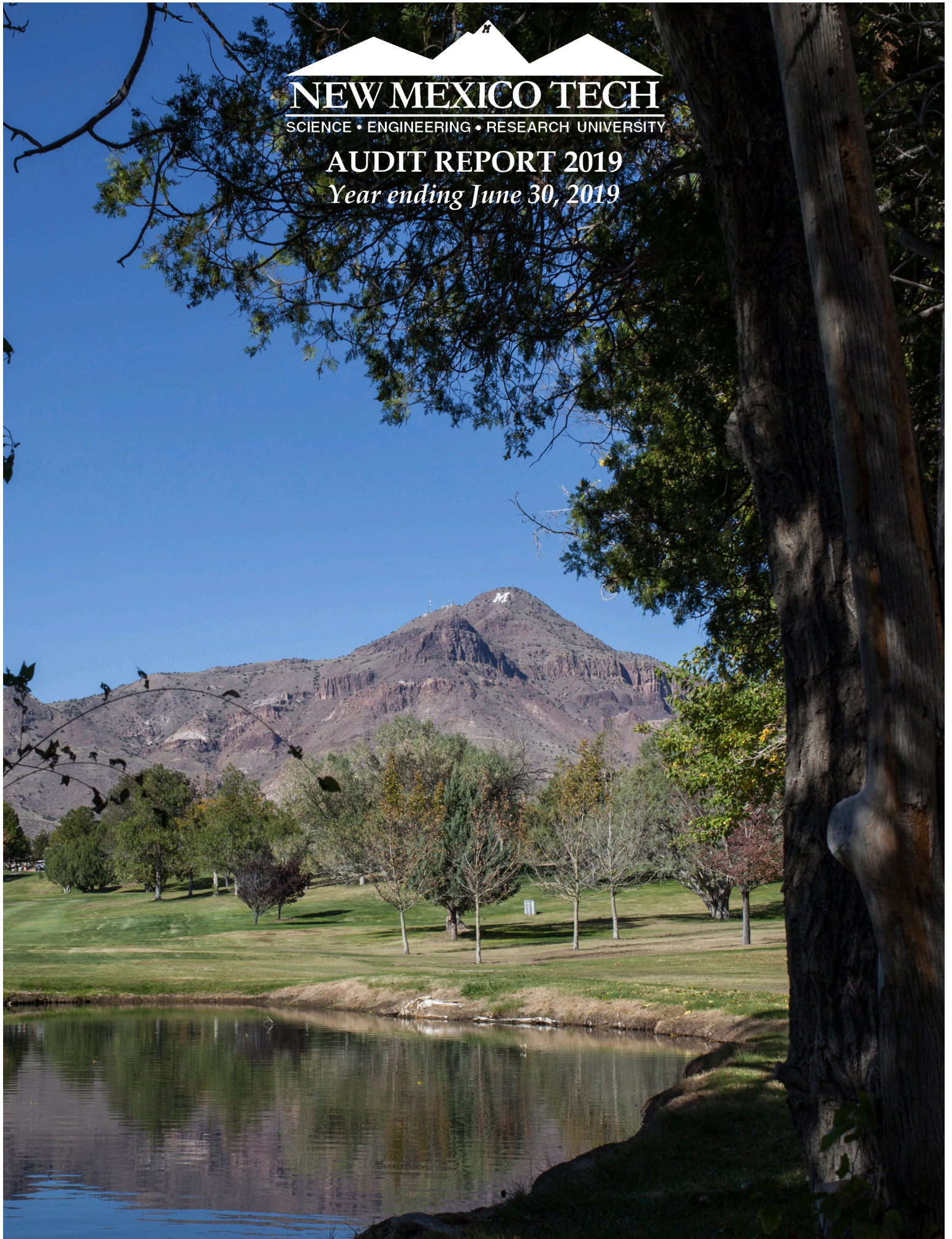


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New Mexico Institute of Mining and Technology
Official Roster
June 30, 2019

Board of Regents

Ex Officio Members

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

Appointed Members

Deborah Peacock	President
Jerry A. Armijo	Secretary-Treasurer
David Gonzales	Member
Dr. Yolanda King	Member
Veronica Espinoza	Member

Principal Administrative Officials

Dr. Stephen G. Wells	President
Dr. Cleve McDaniel	Vice President for Administration and Finance
Dr. Douglas Wells	Vice President for Academic Affairs
Melissa Jaramillo-Fleming	Vice President for Student and University Relations
Dr. Van Romero	Vice President for Research
Vacant	Associate Vice President for Administration and Finance/Budget Director
Nelia Dunbar	Director, New Mexico Bureau of Geology and Mineral Resources
Robert Balch	Director, New Mexico Petroleum Recovery Research Center
Mike Stanley	Acting Director, Energetic Materials Research and Testing Center
Gayle Bailey	Director of Sponsored Projects
Melissa Tull	Controller
JoAnn Salome	Director of Human Resources
Emma Aafloy	Associate Director for Budget and Analysis

Report of Independent Auditors

Board of Regents
New Mexico Institute of Mining and Technology
Socorro, New Mexico
and
Mr. Brian S. Colón, Esq.
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, fiduciary activities, and the aggregate discretely presented component unit of New Mexico Institute of Mining and Technology (the "Institute"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 entity'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 entity'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, fiduciary activities, and the aggregate discretely presented component unit of the Institute as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Reporting Entity

As discussed in Note 1, the financial statements of the Institute are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of the State of New Mexico that is attributable to the transactions of the Institute. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2019, the change in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Proportionate Share of Net Pension Liability, Schedule of Contributions, Notes to Defined Benefit Retirement Plan RSI, Schedule of Employer Contributions – Other Postemployment Benefits (OPEB), Schedule of Changes in Net OPEB Liability and Related Ratios, and Schedule of OPEB Investment Returns as referenced in the table of contents 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. The accompanying budgetary comparisons, schedule of pledge collateral, schedule of individual deposit and investment accounts, 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, schedule of joint powers agreements, schedule of expenditures of federal awards, 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparisons, schedule of pledge collateral, schedule of individual deposit and investment accounts, multiple-year capital projects funded by general obligation revenue bond and severance tax bond capital outlay appropriations, schedule of joint power agreements and schedule of expenditures of federal awards 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* are the responsibility of management and was derived from and relates 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 budgetary comparisons, schedule of pledge collateral, multiple-year capital projects funded by general obligation revenue bond and severance tax bond capital outlay appropriations, schedule of joint power agreements and schedule of expenditures of federal awards 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* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The budgetary comparisons, schedule of pledge collateral, multiple-year capital projects funded by general obligation revenue bond and severance tax bond capital outlay appropriations, schedule of joint power agreements and schedule of expenditures of federal awards 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* has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019, on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Institute's 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 Institute's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
October 30, 2019

New Mexico Institute of Mining and Technology

Management's Discussion and Analysis

Year Ended June 30, 2019

The New Mexico Institute of Mining and Technology (New Mexico Tech, NMIMT, NMT, or the Institute) Management's Discussion and Analysis (MDA) of annual financial statements provides an overview of New Mexico Tech's financial activities for the fiscal year ending June 30, 2019. Included for comparison purposes is the 2018 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:

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, 2019.

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 its pro rata share of 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 Mexico Tech adopted Governmental Accounting Standards Board (GASB) Statement No. 80, Blending Requirements for Certain Component Units. New Mexico Tech also adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

New Mexico Institute of Mining and Technology
Management's Discussion and Analysis (continued)
Year Ended June 30, 2019

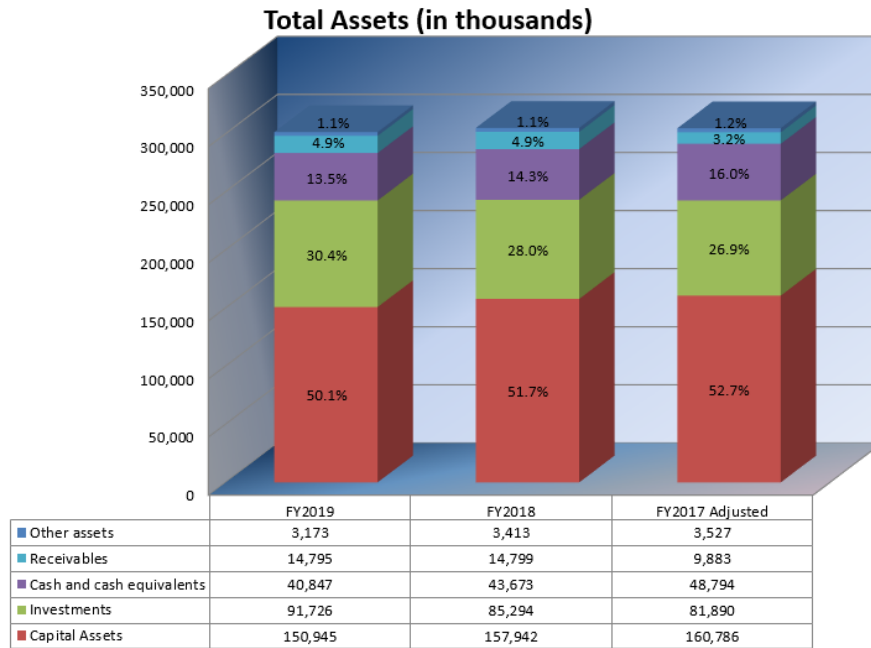
The following table summarizes the Institute's assets, deferred outflows, liabilities, deferred inflows, and net position as of:

	Balance June 30, 2019 (In Thousands)	Balance June 30, 2018 (In Thousands)	Difference	Percentage Change
Current assets	\$ 77,485	\$ 80,144	\$ (2,659)	-3.3%
Capital assets, net	150,945	157,942	(6,997)	-4.4%
Other noncurrent assets	73,056	67,035	6,021	9.0%
Total assets	<u>301,486</u>	<u>305,121</u>	<u>(3,635)</u>	<u>-1.2%</u>
Deferred outflows	<u>44,677</u>	<u>52,186</u>	<u>(7,509)</u>	<u>-14.4%</u>
Total assets and deferred outflows	<u>\$ 346,163</u>	<u>\$ 357,307</u>	<u>\$ (11,144)</u>	<u>-3.1%</u>
Current liabilities	11,746	\$ 11,548	\$ 198	1.7%
Non-current liabilities	207,883	189,579	18,304	9.7%
Total liabilities	<u>219,629</u>	<u>201,127</u>	<u>18,502</u>	<u>9.2%</u>
Deferred inflows	7,701	6,381	1,320	20.7%
Net position				
Capital assets, net of related debt	141,306	147,702	(6,396)	-4.3%
Restricted net position	45,584	43,254	2,330	5.4%
Unrestricted net position	<u>(68,057)</u>	<u>(41,157)</u>	<u>(26,900)</u>	<u>65.4%</u>
Total net position	<u>118,834</u>	<u>149,799</u>	<u>(30,965)</u>	<u>-20.7%</u>
Total assets, liabilities, deferred inflows and net position	<u>\$ 346,163</u>	<u>\$ 357,307</u>	<u>\$ (11,144)</u>	<u>-3.1%</u>

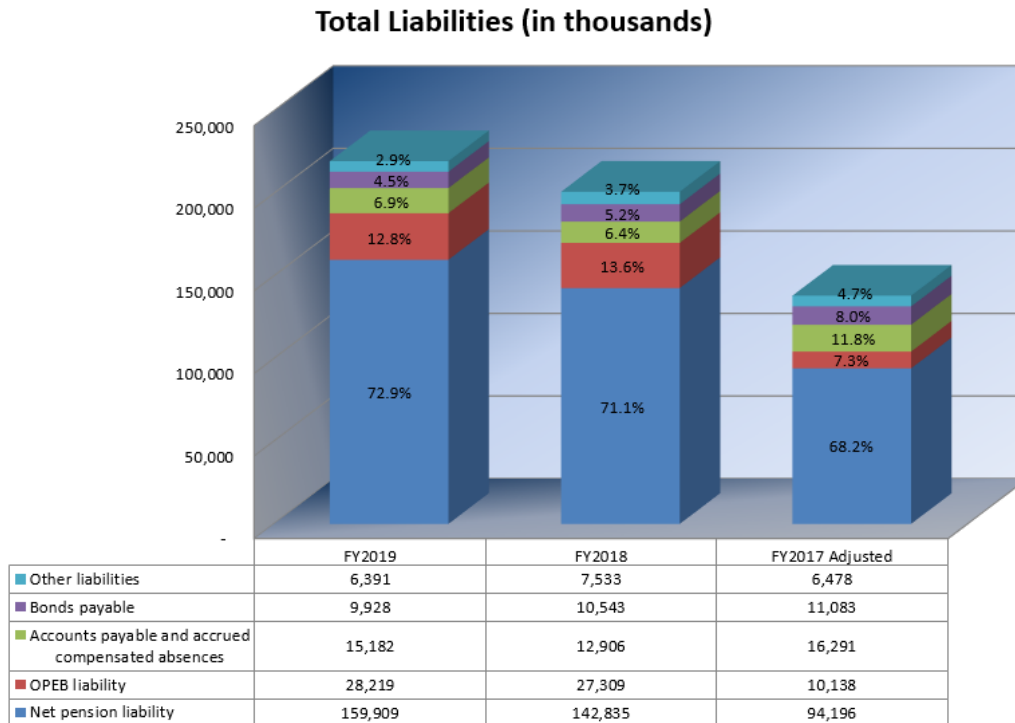
Total assets decreased \$3.6 million or -1.2 percent. Several categories in the asset classification changed during the fiscal year.

- Current assets decreased \$2.6 million, or -3.3 percent, due to normal operating activities.
- Capital assets decreased \$6.9 million or -4.4 percent. This is primarily due to the net of capital assets acquired throughout the fiscal year and the recording of depreciation.

**New Mexico Institute of Mining and Technology
Management's Discussion and Analysis (continued)
Year Ended June 30, 2019**



Total liabilities increased \$18.5 million or 9.2 percent. The net pension liability increased by \$17.1 million and liabilities related to OPEB increased by \$909 thousand due to the changes in actuarial reporting related to GASB Statement No. 68 and 75.



New Mexico Institute of Mining and Technology
Management's Discussion and Analysis (continued)
Year Ended June 30, 2019

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 decrease is \$6.4 million. The Chemistry Building and other land improvements were capitalized during the year.
- Restricted net position: This category is subdivided into non-expendable and expendable. Non-expendable are 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. The restricted net position category increased by \$2.3 million.
- Unrestricted net position: This category reports the assets available to New Mexico Tech for any lawful purpose. These funds decreased \$26.9 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, 2019. The SRECNP reports the revenues and expenses for one-year's activity, unlike the Statement of Net Position (SNP), which is a snapshot of New Mexico Tech's financial position as of the date of the statement. Operating and non-operating revenues and expenditures are reported in this statement.

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

	June 30, 2019 (In Thousands)	June 30, 2018 (In Thousands)	Difference	Percentage
Operating revenue	\$ 87,230	\$ 88,483	\$ (1,253)	-1.4%
Operating expense	173,338	159,762	13,576	0.0%
Operating loss	(86,108)	(71,279)	(14,829)	20.8%
Non-operating revenue	39,654	39,244	410	1.0%
Loss before other revenues and expenses	(46,454)	(32,035)	(14,419)	45.0%
Other revenues and capital items	15,488	16,963	(1,475)	-8.7%
Increase (decrease) in net position	\$ (30,966)	\$ (15,072)	\$ (15,893)	36.3%

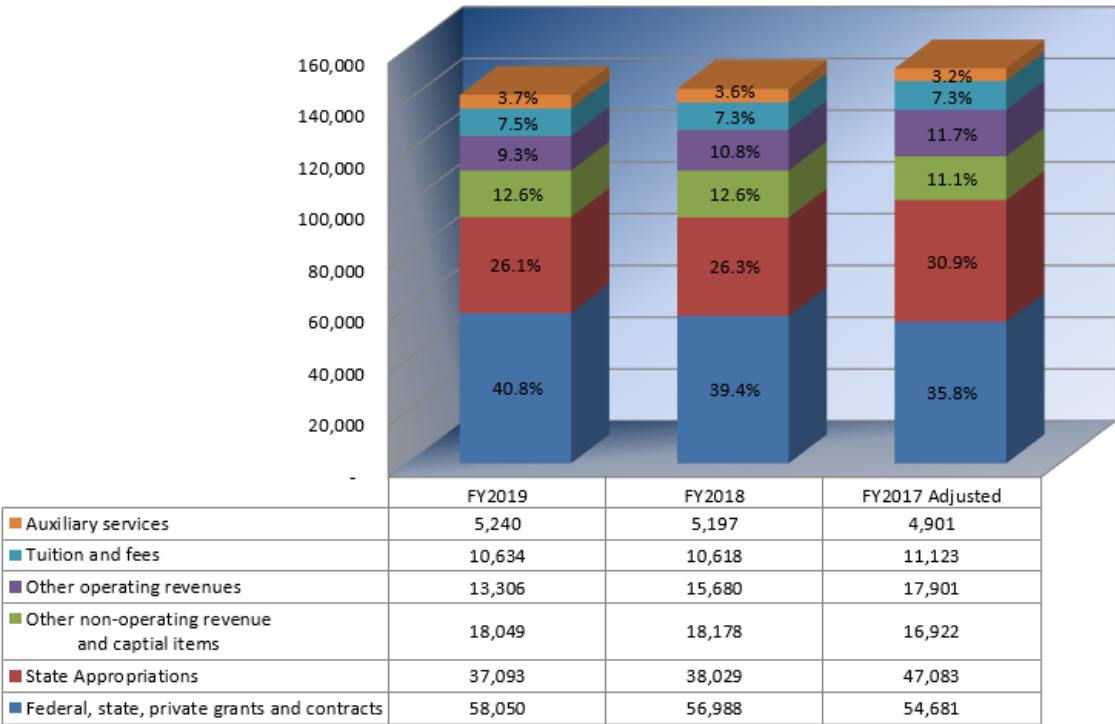
Operating revenues are received in order to provide goods and services to the constituencies of New Mexico Tech. Operating revenue includes tuition, federal, state and private grants and contracts and auxiliary service fees.

**New Mexico Institute of Mining and Technology
 Management’s Discussion and Analysis (continued)
 Year Ended June 30, 2019**

Total operating revenue decreased \$1.2 million. Year to year changes of the individual components included within the total operating revenue are:

- Net tuition and fee revenue increased \$17 thousand.
- Grants and contracts revenue increased \$1.1 million.
- All other operating income decreased \$2.3 million.

Revenue

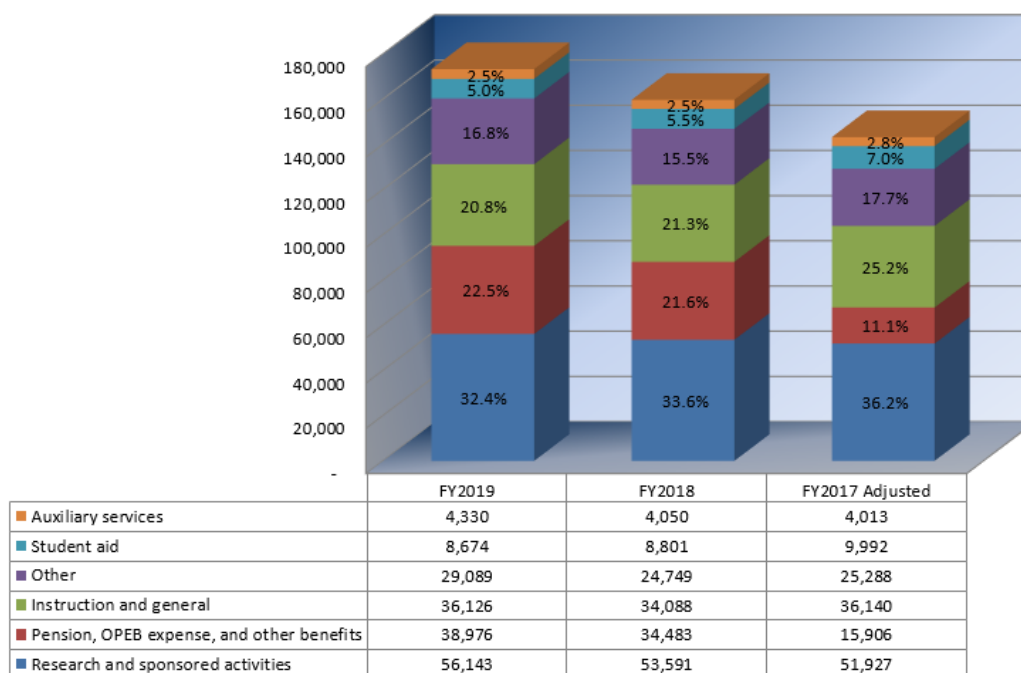


New Mexico Institute of Mining and Technology Management's Discussion and Analysis (continued) Year Ended June 30, 2019

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

- Total operating expenses increased \$13.5 million.
- Research and other sponsored expenditures increased \$2.5 million (included in total operating expenses).

Operating Expenses



State appropriations, including Instruction and General (I&G) and Research and Public Service Projects (RPSP), were \$36.8 million compared to last year's \$35.5 million.

The net operating loss for this fiscal year is \$86.1 million compared to last year's net operating loss of \$71.2 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 increased \$410 thousand compared to last year. Other revenues and capital items decreased \$1.5 million compared to last year. Capital appropriations decreased \$2.0 million mainly due to state funds received in the prior year for the Data Center and Wastewater Treatment project. State land grant and permanent fund distributions and income decreased slightly: \$13 thousand in the current year.

New Mexico Institute of Mining and Technology

Management's Discussion and Analysis (continued)

Year Ended June 30, 2019

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 correlated 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 noncapital 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 Tech Research Foundation is included as a component unit, but its operations are not managed or controlled by New Mexico Tech.

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 as 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 submitted to, and approved by, the Higher Education Department (HED) and the New Mexico Department of Finance (DFA).

The restricted current funds revenues and expenditures budget comparisons are 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

The planning stage of the renovation of Jones Hall has been completed and the project is set to begin December 2019, following the approval of the construction contract. This project is being funded by several sources including a 2016 General Obligation Bond (\$5.5 million), 2015 Severance Tax Bond (\$190 thousand), 2016 Severance Tax Bond (\$90 thousand) and NMT internal reserves (\$6.0 million). The estimated cost of this renovation is \$11.7 million.

The planning and/or design construction phase of the renovation of the President's Residence that will also include a new University house is nearly complete. The next phase of the project is the bid process, set to begin mid December 2019.

New Mexico Institute of Mining and Technology
Management's Discussion and Analysis (continued)
Year Ended June 30, 2019

An architecture firm for the Brown Hall renovation has been selected and will begin the programming phase of the project December 2019. Multiple phases will be required before construction can begin and involve modifications to West Hall, to house the Brown Hall occupants during renovation. The construction phase for Brown Hall is estimated to begin early 2021.

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 4.4 percent. The annual principal and interest payments average \$1.1 million. 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 \$14.0 million. Dedicated to the construction of the new dormitory and related projects was \$11.0 million, and \$5.0 million was dedicated for equipment and construction of the Magdalena Ridge Observatory project. The funds for both projects have been fully expended as of June 30, 2017. The semi-annual payment of principle and interest is paid on January 1 and July 1. The outstanding long-term bond debt, including bond premium net of accumulated amortization, at June 30, 2018, was \$9.9 million.

Currently Known Facts

Enrollment

Enrollment at New Mexico Tech has shown a decline over the past five years.

The Fall 2019 new student and transfers enrollment is 403 compared to 479 last year. Additionally, total enrollment has decreased slightly from Fall 2018 to Fall 2019 for New Mexico Tech.

<u>School Year</u>	<u>Head Count</u>	<u>Credit Hours (CH)</u>	<u>End of Course</u>	<u>(EOCCH)</u>
2018-19	1,895	46,731	43,933	94.01%
2017-18	2,009	47,963	46,891	97.76%
2016-17	2,135	52,232	51,268	98.20%
2015-16	2,150	53,319	51,230	96.10%
2014-15	2,127	53,027	51,484	97.10%
2013-14	2,134	52,426	50,616	96.60%
2012-13	2,105	50,865	49,425	97.20%

As the chart above demonstrates, head count and credit hours have decreased from the 2017-18 school year. The end-of-course completion rates continue to hover 94-98%. The End of Course is a measure used to calculate the higher education funding formula. The percentage of EOCCH to CH indicates increased performance is directly related to the quality of the student, faculty and staff at New Mexico Tech.

New Mexico Institute of Mining and Technology Management's Discussion and Analysis (continued) Year Ended June 30, 2019

The national economy continues to improve. One of the main sources of revenue for the State of New Mexico, gas and oil, is on the upswing as compared to last year. Funding from the State continues to be an issue, but appropriations have increased slightly for the fiscal year ending June 30, 2019.

The New Mexico Tech faculty and administration have continued to deliver quality education to the students. Additional faculty have been 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 obtain 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 increasing 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 Institute'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 Institute. 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.

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 Fall 2019 undergraduate enrollment of New Mexico students is 72.1 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 practical 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 overwhelming majority of students finding employment in their chosen field of study.

New Mexico Institute of Mining and Technology Management's Discussion and Analysis (continued) Year Ended June 30, 2019

New Mexico Tech's Incurred Cost report shows that externally funded research and other sponsored activity has declined significantly since FY 2011. However, funding remains stable from FY18 to FY19. External funding award amounts are indicated below (in thousands):

FY19	\$ 56,398
FY18	56,565
FY17	53,356
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. In addition to funding by the state, the Bureau receives between \$1 and \$2 million per year in grant, contract and gift funding. In FY19 funding sources included the National Science Foundation, Department of Energy, United States Geological Survey, National Park Service, State agencies and philanthropic organizations, among others.

The Petroleum Research and Recovery Center is also funded via the RPSP budget. However, a Department of Energy carbon sequestration project has been in place for several years bringing in approximately \$90 million dollars. Additional awards with DOE and the Bureau of Reclamation brought in funding of over \$2 million dollars.

The Energetic Materials Research and Testing Center (EMRTC) continues to work with the Department of Homeland Security training program. External funding has decreased slightly from \$29 million in FY18 to \$26.4 million due to Aerojet contract that reached its completion.

The Magdalena Ridge Observatory (MRO) 2.4 meter telescope continues to be NASA's flagship telescope for near-Earth object observations. In the past year the telescope conducted numerous campaigns to track and characterize close approaching asteroids. Funding for the 2.4-meter telescope comes from NASA (80%) and Department of Defense (20%).

The construction of the Interferometer at MRO continues. The first telescope was recently installed on the array and the Air Force Research Lab (AFRL) continues to fund this project. AFRL recently executed Option 2 of the four Options under the current Cooperative Agreement, which enables the purchase of the second unit telescope for the 10-element interferometric array.

The IRIS/PASSCAL seismic center continues to support National Science Foundation and other projects around the world. IRIS was awarded funding to continue supporting US seismology for the next five years, with a \$22.3 million sub award to NMT.

New Mexico Institute of Mining and Technology Management's Discussion and Analysis (continued) Year Ended June 30, 2019

Economic Outlook

The economic outlook for New Mexico Tech continues to be closely monitored by 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. Forecasts for the State of New Mexico project an increase in state revenue growth. Overall appropriations from the state for FY 2019 increased by 3.5% and included funding for compensation. An increase for compensation from the state has not been included in the funding formula for many years. 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. New Mexico Tech staff has been very cooperative in managing their departmental budgets, and have 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 scrutinized by both the state and federal grantors.

The New Mexico Tech Admissions Office shall continue to increase its recruitment efforts in states such as Texas, California and Arizona. These states are excellent opportunities 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 full-time freshmen for the school year 2018-19 was 210 compared to 259 in the prior 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
As of June 30, 2019

	Institute	Component Unit Foundation
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 40,805,381	\$ 405,820
Short-term investments	18,710,187	20,581,931
Contract and grant billed and unbilled receivables	13,697,237	-
Student accounts receivable, net of allowance for doubtful accounts	448,347	-
Due from state agencies and other accounts receivables	650,318	-
Inventories	1,366,764	-
Other assets	1,806,342	584,166
Total current assets	77,484,576	21,571,917
NONCURRENT ASSETS		
Restricted cash and cash equivalents	42,274	-
Endowment investments	51,598,540	-
Other long-term investments	20,007,822	4,829,780
Capital assets, net of accumulated depreciation	150,945,129	1,448,533
Other non-current assets	1,407,736	26,436
Total noncurrent assets	224,001,501	6,304,749
Total assets	301,486,077	27,876,666
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	42,404,051	-
Related to other post employment benefits	2,273,206	-
Total deferred outflows of resources	\$ 44,677,257	\$ -

New Mexico Institute of Mining and Technology
Statement of Net Position (continued)
As of June 30, 2019

	Institute	Component Unit Foundation
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 6,450,799	\$ -
Accrued compensated absences, current portion	4,337,504	-
Due to primary government	-	29,632
Deposits	170,880	-
Unearned revenue	786,845	-
Total current liabilities	<u>11,746,028</u>	<u>29,632</u>
NONCURRENT LIABILITIES		
Accrued compensated absences, net of current portion	4,393,297	-
Bonds payable, net	9,927,649	-
Net pension liability	159,908,673	-
Net OPEB liability	28,219,046	-
Other noncurrent liabilities	5,434,223	11,337
Total noncurrent liabilities	<u>207,882,888</u>	<u>11,337</u>
Total liabilities	<u>219,628,916</u>	<u>40,969</u>
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	3,755,993	-
Related to other post employment benefits	3,944,818	-
Total deferred inflows of resources	<u>7,700,811</u>	<u>-</u>
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	141,306,350	1,448,533
RESTRICTED FOR		
Nonexpendable		
Endowments and all other nonexpendable	57,696,794	5,307,107
Inventory	1,366,764	-
Expendable		
Scholarships, research, instruction and other	8,704,612	1,792,488
Other postemployment benefits	(28,219,046)	-
Employee benefit trust	4,243,366	-
Loans	1,791,662	-
UNRESTRICTED NET (DEFICIT) POSITION	<u>(68,056,895)</u>	<u>19,287,569</u>
Total net position	<u>\$ 118,833,607</u>	<u>27,835,697</u>

New Mexico Institute of Mining and Technology
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2019

	Institute	Component Unit Foundation
OPERATING REVENUES		
Tuition and fees, net of discounts and allowances of \$3,711,133	\$ 10,634,307	\$ -
Federal grants and contracts	43,984,955	-
State and local grants and contracts	1,747,153	-
Private grants and contracts	8,915,473	-
Other grants and contracts	3,401,581	-
Sales and services of auxiliary enterprises, net of scholarship allowances of \$1,256,892	5,240,249	-
Other	9,058,550	933,358
Benefit trust employee contributions	1,772,861	-
Benefit trust employer contributions	2,475,084	-
Total operating revenues	87,230,213	933,358
EXPENSES		
Instruction and general		
Instruction	16,516,989	-
Institutional support	7,718,471	-
Operations and maintenance support	6,781,426	-
Student services	2,336,819	-
Academic support	2,772,327	-
Other sponsored activities	36,723,014	-
Research	19,420,412	-
Student aid grants and stipends, net of tuition discounts and allowances of \$3,711,133	8,673,718	939,868
Depreciation and amortization	10,920,384	59,932
Auxiliary enterprises, net of discounts and allowances of \$1,256,892	4,329,625	-
Other expenditures	8,340,755	964,374
Independent operations	4,028,328	-
Plant funds	5,253,573	-
Public service	545,951	-
Pension expense	27,890,050	-
Other postemployment benefits expense	6,623,011	-
Benefit trust claims expense	2,800,275	-
Benefit trust premiums	835,973	-
Benefit trust general and administrative	826,887	-
Total operating expenses	173,337,988	1,964,174
Operating loss	(86,107,775)	(1,030,816)

New Mexico Institute of Mining and Technology
Statement of Revenues, Expenses, and Changes in Net Position (continued)
For the Year Ended June 30, 2019

	Institute	Component Unit Foundation
NONOPERATING REVENUES		
State appropriations	\$ 36,838,997	-
Gifts	1,870,999	-
Interest and investment income, net	944,350	2,198,282
Net nonoperating revenues	<u>39,654,346</u>	<u>2,198,282</u>
(Loss) gain before other revenues and expenses	<u>(46,453,429)</u>	<u>1,167,466</u>
OTHER REVENUES AND EXPENSES		
Other revenues	8,561,172	-
Additions to permanent endowments	4,775,709	-
State land grant permanent fund income	1,789,800	-
Capital gifts and grants	107,723	-
Capital project appropriations from state issued bonds and other	253,753	-
Net other revenues	<u>15,488,157</u>	<u>-</u>
Change in net position	(30,965,272)	1,167,466
NET POSITION, beginning of year	<u>149,798,879</u>	<u>26,668,231</u>
Net position, end of year	<u>\$ 118,833,607</u>	<u>\$ 27,835,697</u>

New Mexico Institute of Mining and Technology
Statement of Cash Flows
For the Year Ended June 30, 2019

	Institute	Component Unit Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 10,865,509	\$ -
Grants and contracts	56,748,188	-
Sales and services of auxiliary enterprises	5,240,249	-
Other receipts	25,580,246	896,552
Payments to employees	(43,173,857)	-
Payments to suppliers	(102,136,303)	-
Other payments	-	(3,280,027)
Net cash used in operating activities	<u>(46,875,968)</u>	<u>(2,383,475)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	36,838,997	-
Gifts for other than capital purposes	1,870,999	-
Other nonoperating receipts	8,561,172	-
Net cash provided by noncapital financing activities	<u>47,271,168</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(3,964,805)	-
Proceeds from sales of capital assets	(29,106)	-
Payments of principal on bond obligations	(615,688)	-
Capital project appropriations from state issued bonds and other	253,753	-
Capital gifts and grants	107,723	-
Net cash used in capital and relating financing activities	<u>(4,248,123)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments, net	2,008,284	1,383,845
Investment purchases	(8,595,215)	(1,392,119)
Additions to endowments	4,775,709	-
Distributions received from land grant permanent fund	1,789,800	-
Cash received for notes receivable, net	136,912	325,597
Other	(35,733)	-
Interest, dividend, and realized investment income	947,259	681,180
Net cash provided by investing activities	<u>1,027,016</u>	<u>998,503</u>
NET DECREASE, in cash and cash equivalents	(2,825,907)	(1,384,972)
CASH AND CASH EQUIVALENTS, beginning of year	<u>43,673,562</u>	<u>1,790,792</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 40,847,655</u>	<u>\$ 405,820</u>
CASH AND CASH EQUIVALENTS		
Unrestricted	40,805,381	\$ 405,820
Restricted	42,274	-
Total cash and cash equivalents	<u>\$ 40,847,655</u>	<u>\$ 405,820</u>

New Mexico Institute of Mining and Technology
Statement of Cash Flows (continued)
For the year ended June 30, 2019

	<u>Institute</u>	<u>Component Unit Foundation</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (86,107,775)	\$ (1,030,816)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization expense	10,927,644	59,932
Loss on sale of assets and patents	113,492	-
Donated stock	-	(500,000)
Changes in assets and liabilities		
Student accounts receivable	(109,875)	-
Contract and grant billed and unbilled receivables	(1,170,262)	-
Other accounts receivable	1,284,101	-
Inventories	(92,963)	-
Other assets	333,137	455,682
Deferred outflows of resources	7,508,442	-
Cash overdraft	-	-
Accounts payable and accrued expenses	314,218	(5,502)
Student and other deposits	6,595	-
Unearned revenue	(130,712)	-
Compensated absences	944,743	-
Deferred inflows of resources	1,319,593	-
Net pension liability	17,073,984	-
Net OPEB liability	909,670	-
Other payables	-	(1,362,771)
	<u> -</u>	<u> -</u>
Net cash used in operating activities	<u>\$ (46,875,968)</u>	<u>\$ (2,383,475)</u>

Supplemental Disclosure of Cash Flow Information

During 2019, investments held by the Institute increased in value in the amount of \$4,481,198.

During 2019, investments held by the Foundation increased in value in the amount of \$1,111,443.

New Mexico Institute of Mining and Technology
Statement of Fiduciary Net Position
As of June 30, 2019

ASSETS	
Cash	\$ 1,552,230
Other receivables	6,104
Short-term investments	952,096
Other long-term investments	<u>1,773,887</u>
Total assets	<u>4,284,317</u>
 LIABILITIES	
Accounts payable and accrued liabilities	<u>40,950</u>
Total liabilities	<u>40,950</u>
 NET POSITION	
Net position restricted for postemployment benefits other than pension	<u><u>\$ 4,243,367</u></u>

New Mexico Institute of Mining and Technology
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2019

ADDITIONS	
Employer contributions	\$ 2,475,085
Employee contributions	1,772,861
Investment income	148,836
Other revenue	5,066
Total additions	<u>4,401,848</u>
DEDUCTIONS	
Claims expense, net of stop-loss refunds of \$335,223	2,800,275
Insurance premiums	835,973
General and administrative	826,887
Total deductions	<u>4,463,135</u>
Net decrease in net position	(61,287)
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	
Net position at beginning of year	<u>4,304,654</u>
Net position at end of year	<u>\$ 4,243,367</u>

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 1 – Description of Business

Organization

The New Mexico Institute of Mining and Technology (the Institute, NMIMT, or NMT) 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.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

(A) 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 – 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.

GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*, GASB Statement 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement 80, *Blending Requirements for Certain Component Units*, provides guidance in determining whether certain organizations are component units and the presentation of these component units in the financial statements. Criteria for determining whether related organizations are component units include the following circumstances:

- Appointment of a voting majority of an organization's governing authority and the ability of the Institute to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Institute, or;
- An organization is fiscally dependent on the Institute and provides specific financial benefits to, or imposes specific financial burdens on, the Institute, or;
- It is determined that it would be misleading to exclude the related organization from the Institute's financial statements because of the nature of the entity or because the entity is closely related to or financially integrated with the Institute.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

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 and Institute being the sole corporate member of the component unit.

The following entities are presented in the financial statements as component units:

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 is included in these financial statements as discretely presented component unit.

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. In January 2019, the Board approved a motion to change the name of the Foundation to the "New Mexico Tech Foundation." Amended articles of incorporation and bylaws have not yet been signed or registered with the state of New Mexico as of the report date.

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.

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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

The Trust has been informed by legal opinion and accepted by management that the Plan is a legally formed independent trust and is therefore recognized as a blended component unit in the Institute's financial statements. The Trust accounts are separately audited as required under GASB 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*.

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, as a result determined to be a blended component unit of the Institution.

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.

(B) 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.

For the Trust, plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

(C) Significant Accounting Policies

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

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. Operating budgets are approved via the following procedures:

- a) The institution will submit an original 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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

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.

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. 79, *Certain External Investment Pools and Pool Participants* and GASB No. 72, *Fair Value Measurement and Application*.

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.

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 has incorporated the provisions of the State of New Mexico Uniform Prudent Management of Institutional Funds Act (Chapter 46, Article 9A NMSA 1978) in accounting for net appreciation/depreciation of endowments. The Institute accounts for its investment portfolio at fair 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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

Endowments

The Institute accounts for its endowed investment portfolio at fair value on June 30 of each fiscal year. Additions to endowments are reported each year based on the fair 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. State statute 46-9-6 NMSA 1978 provides the Institution with the authority to use the net appreciation of restricted endowments as established by the donor. 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. In the case of reserve, allocated, and agency funds, the total returns will remain with the funds until these funds are authorized to be expended for the purposes for which they were established.

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.

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. In the opinion of management, there was no allowance necessary at year-end.

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.

Income Taxes

The Institute, as an instrumentality of the State of New Mexico, is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Contributions to the Institute are deductible by donors as provided under Section 170 of the Internal Revenue Code. The Foundation and Research Park Corporation are both exempt from taxes under Section 501(c)(3) of the Internal Revenue Code and the Employee Benefit Trust is exempt from taxes under Section 501(c)(9) of the Internal Revenue Code for normal activities not unrelated to their exempt purpose.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

Other Assets

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

Noncurrent Cash and Investments

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

Capital Assets

Capital assets 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 considered 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 calculated 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

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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

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 2019 are shown as unearned revenue in the accompanying financial statements since the session was not completed at June 30, 2019.

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.

Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Institute in one period that is applicable to future periods.

Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net assets in one period that is applicable to future periods.

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 Educational Retirement Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP, 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. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and addition to/deduction from the Trust's fiduciary net position have been determined on the same basis as they are reported by the Trust. For this purpose, the Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

Net Position

The Institute's net position is classified as follows:

Net Investment in Capital Assets – Net investment in capital assets represents 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 \$9,435,000 for purposes of constructing a dormitory and an educational building.

Restricted Net Position-Nonexpendable – Nonexpendable restricted net position consists 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 includes 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, 2019.

Unrestricted Net Position – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, sales and services of educational departments, auxiliary enterprises, other exchange transactions and unrestricted grants. 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.

Deferred outflows of resources consumed and deferred inflows of resources received and available are included in the statement of net position.

There were deferred outflows and inflows of resources to separately report at June 30, 2019.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

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. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Appropriations are recognized in the year they are appropriated, regardless of when actually received. Gifts are recognized when all eligibility requirements have been met. Interest and investment income is recognized in the period when it is earned.

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 \$36,838,997 for fiscal year 2019, under the General Appropriation Act of 2016 as amended by subsequent bills. 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 2020.

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 7 for details of current year bond activity and amounts remaining.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

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 therefrom. 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.

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 flows 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, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

Fiduciary Fund

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 separate statements of fiduciary net position and changes in fiduciary net position. See Note 1 for additional information on the presentation of the Institute’s only fiduciary fund (Employee Benefit Trust).

Recently Issued Accounting Standards

GASB Statement No. 84 – *Fiduciary Activities*. This Statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It describes four fiduciary funds that should be reported, if applicable: 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds. GASB Statement No. 84 is effective for periods beginning after December 15, 2018 (fiscal year 2020), and earlier application is encouraged. The Institute is currently evaluating the impact GASB Statement No. 84 will have on its financial statements.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

GASB Statement No. 87 – *Leases*. This Statement defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (e.g., buildings, land, vehicles, equipment) as specified in the contract for a period of time in an exchange or exchange-like transaction. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources (revenues) or outflows of resources (expenses) based on the payment provisions of the contract. A lessee is required to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible right-to-use lease asset, measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessor is required to recognize a lease receivable, measured at the present value of lease payments expected to be received during the lease term, and a deferred inflow of resources, measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. This Statement includes an exception for short-term leases (those with a maximum possible term of 12 months or less), contracts that transfer ownership, leases of assets that are investments, and certain regulated leases. GASB Statement No. 87 is effective for periods beginning after December 15, 2019 (fiscal year 2021), and earlier application is encouraged. The Institute is currently evaluating the impact GASB Statement No. 87 will have on its financial statements.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 is effective for periods beginning after December 15, 2019 (fiscal year 2021), and earlier application is encouraged. The Institute is currently evaluating the impact GASB Statement 89 will have on its financial statements.

GASB Statement No. 90 – *Majority Equity Interest – an Amendment of GASB Statements No. 14 and No. 61*. This statements defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. GASB 90 is effective for periods beginning after December 15, 2018 (fiscal year 2020), and earlier application is encouraged. The Institute is currently evaluating the impact GASB Statement 90 will have on its financial statements.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies (continued)

GASB Statement 91 – *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuer and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objective by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement is effective for periods beginning after December 15, 2020 (fiscal year 2022), and earlier application is encouraged. The Institute is currently evaluating the impact GASB Statement 91 will have on its financial statements.

Subsequent Events

Subsequent events have been evaluated through October 30, 2019, the date which the financial statements 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, 2019. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

Note 3 – Cash and Investments

Cash

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

A detail of the cash accounts at June 30, 2019, is included below:

<u>Name of Depository</u>	<u>Account Name</u>	Bank Account <u>Type</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
First State Bank	Comptroller Cash on Deposit	Checking	\$ 40,713,589	\$ (1,701,362)	\$ 39,012,227
First State Bank	Payroll Cash on Deposit	Checking	198,676	(887,707)	(689,031)
First State Bank	NMEAF Cash on Deposit	Checking	33,331	8,943	42,274
Wells Fargo	Vender Cash on Deposit	Checking	1,605,672	(1,119,214)	486,458
Wells Fargo	Employee Benefits Trust Operating	Checking	1,301,681	(8,016)	1,293,665
Wells Fargo	Employee Benefits Trust Claims	Checking	277,033	(18,468)	258,565
First State Bank	Research Park Corp Checking	Checking	326,892	-	326,892
			<u>44,456,874</u>	<u>(3,725,824)</u>	<u>40,731,050</u>
	Petty Cash	Cash	-	-	116,605
	Total cash accounts		<u>\$ 44,456,874</u>	<u>\$ (3,725,824)</u>	<u>\$ 40,847,655</u>

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 3 – Cash and Investments (continued)

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, 2019, the Institute's custodial credit risk was as follows:

Bank balance uninsured and uncollateralized	\$ 5,748,177
Bank balance insured and collateral held (not in Institute's name)	<u>37,958,697</u>
Total custodial credit risk - cash	<u><u>\$ 43,706,874</u></u>

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

Total deposits all banks	\$ 44,456,874
Less: FDIC coverage	<u>(750,000)</u>
Uninsured public funds	43,706,874
50% collateral required	21,853,437
Pledged collateral held by pledging banks' agent in the name of the Institute	<u>37,958,697</u>
Excess of pledge collateral over the required amount	<u><u>\$ 16,105,260</u></u>

The Institute, under the terms of its automated clearinghouse (ACH) origination agreement with its primary financial institution, has a requirement to maintain a minimum balance in its accounts with that financial institution of \$30 million. The Institute may access all deposits with this institution at any time.

Investments

Investments of the Institute consist of the following at June 30, 2019:

	<u>Market Value</u>
Short-term LGIP	\$ 18,710,187
Endowments	51,598,540
Other long-term	<u>20,007,822</u>
Total investments	<u><u>\$ 90,316,549</u></u>

There are no other 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 – *Certain External Investment Pools and Pool Participants*.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 3 – Cash and Investments (continued)

As the Institute's investment in LGIP is under \$30 million, the Trust's only restriction on withdrawals is 24 hours of notice to the NMSTO.

	<u>Reconciled Balance per Books</u>	<u>Balance Per Custodial Statement</u>
Investment accounts		
Morgan Stanley		
Langmuir endowment		
Money market funds	\$ 112,623	\$ 112,623
Mutual funds	285,371	285,371
U.S. government and corporate debt securities	165,395	165,395
Common stocks	2,483,011	2,483,011
NMT Capital Campaign		
Money market funds	555	555
Mutual funds	249,633	249,633
Corporate debt securities	128,651	128,651
Common stocks	341,804	341,804
TD Ameritrade		
Student Investment Club		
Cash	4,796	4,796
Common stocks	225,683	225,683
State Investment Council Pooled Fund	67,608,840	67,608,840
State Treasurer - LGIP	<u>18,710,187</u>	<u>18,710,187</u>
 Total investments	 <u><u>\$ 90,316,549</u></u>	 <u><u>\$ 90,316,549</u></u>

External Investment Pool

The New Mexico Local Government Investment Pool (LGIP) is an investment pool established by the State Treasurer for the purpose of investing funds of municipal, county, tribal, and quasi- governmental bodies. There are no requirements for governments to participate in the LGIP. Participating governments may withdraw up to \$30 million within one business day, and withdrawals in various ranges between \$30 million and over \$100 million require notice from 2-10 business days.

The LGIP is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with GASB 79, *Certain External Investment Pools and Pool Participants*. LGIP has met the criteria outlined in GASB Statement No. 79 to permit the election to report its investments at amortized cost which approximates fair value. 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 amounts were invested.

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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 3 – Cash and Investments (continued)

Custodial Credit Risk – Investments

Custodial credit risk 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 \$18,710,187 35 day WAM (R); 100 day WAM (F)

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, 2019, and its exposure to credit risk are as follows:

Investments	WAM Years	Rating	Fair Value
<i>Items subject to credit risk</i>			
Money market funds	-	not rated	\$ 113,178
Cash	-	not rated	4,796
Corporate debt securities	1.91	A-AAA	293,727
Government debt securities	9.40	AA+	319
State Treasurer - LGIP	0.09	AAAM	18,710,187
Investments not subject to categorization			
State Investment Council Pooled Funds	-	not rated	67,608,840
Total items subject to credit risk			86,731,047
<i>Items not subject to credit risk</i>			
Mutual funds			535,004
Common stocks			3,050,498
Total items not subject to credit risk			3,585,502
Total investments			\$ 90,316,549

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 3 – Cash and Investments (continued)

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, 2019, and their exposure to interest rate risk are as follows:

	Investment Maturities				Fair Value
	Less than 1 Year	1 to 5 Years	6 to 10 Years	Greater Than 10 Years	
<i>Items subject to interest rate risk</i>					
Money market funds	\$ 113,178	\$ -	\$ -	\$ -	\$ 113,178
U.S. Government and corporate debt securities	68,246	225,481	319	-	294,046
State Treasurer LGIP	18,710,187	-	-	-	18,710,187
	<u>\$ 18,891,611</u>	<u>\$ 225,481</u>	<u>\$ 319</u>	<u>\$ -</u>	19,117,411
<i>Investments not subject to categorization</i>					
State Investment Council Pooled fund					67,608,840
Total items subject to interest rate risk					<u>86,726,251</u>
<i>Items not subject to interest rate risk</i>					
Cash					4,796
Common stocks					3,050,498
Mutual funds					535,004
Total items not subject to interest rate risk					3,590,298
Total investments					<u>\$ 90,316,549</u>

Fair Value Measurements

US GAAP requires certain assets and liabilities to be measured at fair value. 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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 3 – Cash and Investments (continued)

Level 2 Inputs to the valuation methodology include:

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

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

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

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

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

The investment portfolio is comprised of equity securities (common stock), mutual funds, debt securities, and pooled investments 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 investment income in the statement of revenues, expenses, and changes in net position.

During 2019, 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 Index Pool – Level 1
- Investments in Small/Mid Cap Active Pool – Level 1
- Investments in Non-US Developed Markets Index Pool – Level 1
- Investments in Core Plus Bonds Pool – Level 2

The State Treasurer LGIP is excluded from fair value accounting and is recorded in the financial statements at amortized cost.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 3 – Cash and Investments (continued)

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

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Held at Morgan Stanley and Scottrade				
Common stocks	\$ 3,050,498	\$ 3,050,498	\$ -	\$ -
Money market funds	113,178	113,178	-	-
Corporate debt securities	293,727	293,727	-	-
Government debt securities	319	319	-	-
Mutual funds	535,004	535,004	-	-
Investments held with the New Mexico				
State Investment Council (SIC) pooled funds:				
Core Plus Bonds Pool	35,348,788	-	35,348,788	-
Large Cap Index Pool	31,963,924	31,963,924	-	-
Non-US Developed Market Index Pool	118,408	118,408	-	-
Small/Mid Cap Active Pool	177,720	177,720	-	-
State Treasurer Office (STO) LGIP	18,710,187	-	18,710,187	-
Total	90,311,753	\$ 36,252,778	\$ 54,058,975	\$ -
Cash	4,796			
Total Investments	\$ 90,316,549			

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:

Investment	Fair Value	Redemption Frequency	Redemption Notice Period
SIC Non-US Developing	\$ 118,408	Daily	5 Business Days
SIC Mid/Small Cap	177,720	Daily	5 Business Days
SIC Large Cap Index Fund	31,963,924	Daily	5 Business Days
SIC Core Plus Bond Fund	35,348,788	Daily	5 Business Days
STO LGIP	18,710,187	Daily	1 Business Day

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 4 – Receivable

Receivable consists of the following at June 30, 2019:

Grant and contracts billed and unbilled	\$ 13,697,237
Student accounts	1,008,659
Due from state agencies	144,753
Other receivables	505,565
Total receivables	<u>15,356,214</u>
Allowance for doubtful accounts	<u>(560,312)</u>
Total receivables billed and unbilled, net	<u>\$ 14,795,902</u>

Note 5 – Capital Assets

Following are the changes in capital assets for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Transfers	Retirements	Balance June 30, 2019
Capital assets not being depreciated					
Land	\$ 4,334,219	\$ -	\$ -	\$ -	\$ 4,334,219
Construction in progress	21,945,161	1,355,399	(20,882,170)	-	2,418,390
Total assets not depreciating	<u>\$ 26,279,380</u>	<u>\$ 1,355,399</u>	<u>\$ (20,882,170)</u>	<u>\$ -</u>	<u>\$ 6,752,609</u>
Depreciable capital assets					
Non-major infrastructure networks	\$ 30,411,900	\$ -	\$ 70,718	\$ -	\$ 30,482,618
Land improvements	6,815,744	-	312,301	-	7,128,045
Buildings	191,764,214	-	20,499,151	-	212,263,365
Furniture, fixtures, and equipment	49,123,206	1,931,693	-	(623,769)	50,431,130
Software	1,780,118	-	-	-	1,780,118
Library materials	21,083,019	640,566	-	-	21,723,585
Total depreciating capital assets	<u>\$ 300,978,201</u>	<u>\$ 2,572,259</u>	<u>\$ 20,882,170</u>	<u>\$ (623,769)</u>	<u>\$ 323,808,861</u>
Accumulated depreciation					
Non-major infrastructure networks	\$ (15,613,991)	\$ (1,001,340)	\$ -	\$ -	\$ (16,615,331)
Land improvements	(3,636,606)	(225,049)	-	-	(3,861,655)
Buildings	(93,217,187)	(5,853,170)	-	-	(99,070,357)
Furniture, fixtures, and equipment	(41,058,654)	(2,701,609)	-	520,511	(43,239,752)
Software	(1,434,159)	(198,307)	-	-	(1,632,466)
Library materials	(14,354,771)	(842,009)	-	-	(15,196,780)
Total accumulated depreciation	<u>\$ (169,315,368)</u>	<u>\$ (10,821,484)</u>	<u>\$ -</u>	<u>\$ 520,511</u>	<u>\$ (179,616,341)</u>
Capital assets summary					
Capital assets not depreciating	\$ 26,279,380	\$ 1,355,399	\$ (20,882,170)	\$ -	\$ 6,752,609
Depreciating capital assets, at cost	300,978,201	2,572,259	20,882,170	(623,769)	323,808,861
Total cost capital assets	327,257,581	3,927,658	-	(623,769)	330,561,470
Accumulated depreciation	<u>(169,315,368)</u>	<u>(10,821,484)</u>	<u>-</u>	<u>520,511</u>	<u>(179,616,341)</u>
Capital assets, net	<u>\$ 157,942,213</u>	<u>\$ (6,893,826)</u>	<u>\$ -</u>	<u>\$ (103,258)</u>	<u>\$ 150,945,129</u>

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 6 – Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019 is as follows:

Noncurrent Liabilities	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion (Due in 2019)
Accrued compensated absences	\$ 7,786,058	\$ 5,174,493	\$ (4,229,750)	\$ 8,730,801	\$ 4,337,504
Environmental remediation	5,434,223	-	-	5,434,223	-
Bonds payable	10,543,337	-	(615,688)	9,927,649	-
Net pension liability	142,834,689	17,073,984	-	159,908,673	-
Net OPEB obligation	27,309,376	5,718,034	(4,808,364)	28,219,046	-
Total noncurrent liabilities	<u>\$ 193,907,683</u>	<u>\$ 27,966,511</u>	<u>\$ (9,653,802)</u>	<u>\$ 212,220,392</u>	<u>\$ 4,337,504</u>

Environmental Remediation

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 as a non-current liability as of June 30, 2019.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 7 – Bonds Payable

Long-term debt of the Institute at June 30, 2019, 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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Capital improvements	3.00-5.00%	\$ 9,927,649

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ -	\$ 235,875
2021	590,000	457,000
2022	630,000	426,500
2023	650,000	394,500
2024	685,000	361,125
2025-2029	3,980,000	1,241,100
2030-2032	2,900,000	222,250
Total	<u>\$ 9,435,000</u>	<u>\$ 3,338,350</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. Principal and interest paid during the current year totaled \$1,069,751 which includes the required payments for 2019 and the principal and first-half interest payments for fiscal year 2020. Pledged revenues received during 2019 were \$11,182,660.

A bond premium of \$492,649 remains unamortized as of June 30, 2019, with \$40,688 being amortized during the year. Amortization of the bond premium in future years is \$40,688 per year.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 8 – Other Postemployment Benefits Plan

The Board of Regents authorized the creation of the New Mexico Tech Employee Benefit Trust (Trust or Plan), 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 74, *Financial Reporting for Postemployment Benefit Other than Pension Plans* which was implemented this year. 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.

Effective January 1, 2019, the Institute is no longer using the Trust, a contributory benefit plan, to operate, control and maintain a program to provide the health insurance benefits to the employees of the Institute and their families. The Board of Regents made a resolution approving an agreement for participating with New Mexico Public School Insurance Authority (NMPSIA), for employee health benefits for its employees, retirees and their families. The Trust will continue to operate, control and maintain the life insurance and flexible benefits to the employees of the Institute and their families.

The Trust issues standalone audited financial statements that can be obtained by request or via the Office of the State Auditor's website at www.saonm.org.

Plan Description

Eligibility – The Trust offers employees of New Mexico Institute of Mining and Technology and their eligible dependents retiree benefits. Employees of New Mexico Tech expect to continue health benefit coverage at retirement by electing to pay the full active participant premium charged to New Mexico Tech's health coverage plan, a single employer plan. The differential between the active participant premium and that charged for an older retiree on a stand-alone basis qualifies as a postemployment benefit. The authority to establish and amend the benefit provisions and contribution requirements rests with the Board of Regents.

All regular, regular limited-term, and full-time temporary employees of the Institute and their eligible dependents are eligible to participate in the Plan. An employee is eligible for coverage on the first day of the month following attainment of status as a full-time employee. In order for a retiree of the Institute to be eligible for other postemployment benefits, the employee must be enrolled in the benefit prior to retirement and choose to continue the benefit or opt out. If the retiree chooses to opt out at retirement, the retiree will no longer be offered the benefit. Retirees may opt out at any time or may change plan options during the benefits open enrollment period.

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

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 8 – Other Postemployment Benefits Plan (continued)

In addition, the Trust is used to pay premiums for life insurance coverage on eligible participants and to administer the Flexible Benefits Plan (the Flex Plan). The Flex Plan, which is fully funded by employees, provides reimbursement of certain employee health and dependent care expenses.

Plan Membership – As of June 30, 2019, all active participants and retirees were moved to NMPSIA.

Contributions – The Trust is funded by contributions from both the Institute and employees of the Institute. Flex Plan contributions consist of employee-only contributions and are based on amounts elected by the employees up to specified limits, and are withheld from employee pay. All other contributions, including employee and employer contributions, are based on amounts determined by the Trust Committee as necessary to cover the expenses of the Trust. Contributions are funded on a monthly basis. Effective January 1, 2019, the Institute will remit monthly premiums for eligible employees and retirees to NMPSIA.

Retiree contributions for medical, dental, vision, and prescriptions are required for both retiree and dependent coverage. Retirees are required to pay the full premiums less a subsidy provided by the Institute. Retirees are required to contribute a percentage of the premium based on their preretirement annual salary.

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

<u>Contribution Type</u>	<u>Monthly Contribution</u>
Employer	\$494 - \$1,686
Active member	\$165 - \$843
Retiree	\$293 - \$1,355

The Institute currently funds its plan on a pay-as-you-go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits, and includes all expected claims and related expenses and is offset by retiree contributions. The net pay-as-you-go expense of the Institute for fiscal year 2019 was \$2,239,377.

Net Other Postemployment Benefits Liability

The Institute's net OPEB liability was measured as of July 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 8 – Other Postemployment Benefits Plan (continued)

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

Component of the Institute's net OPEB Liability	June 30, 2019
Total OPEB liability	\$ 32,523,701
Plan fiduciary net position	4,304,655
The Institute's net OPEB liability	\$ 28,219,046
Plan fiduciary net position as a percentage of total OPEB liability	13%

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.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all prior periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.0%
Investment rate of return	6.0%
Healthcare cost trend rates	Medical Pre-Medicare: 6% initially, reduced by decrements to a rate of 5.0% after six years Medical Post-Medicare: 5% consistent for next six years Pharmacy: 8.5% initially, reduced by decrement to a rate of 5% after six years Dental and Vision: 3.0%

Mortality rate were based on the RP-2006 Headcount-Weighted Mortality Table with Fully Generational Mortality Improvement Projections from the Central Year using Scale MP-2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.40%, which is a blended rate of the Institute's 6.0% long-term rate of return on assets and the interest rate reported under the 20-Year Municipal Bond Index, which was 3.87% on the last Friday prior to the measurement date of June 30, 2018. A blended discount rate was calculated based on separating the projected future payments between those paid from the Trust and those paid from general assets. The Trust assets were projected using the expected long-term rate of return. Payments from the Trust were assumed to begin when the projected assets value is fully-funded and all future projected benefit payments will be paid from the Trust.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 8 – Other Postemployment Benefits Plan (continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018 (based on July 1, 2017 measurement date)	\$ 30,964,844	\$ 3,655,468	\$ 27,309,376
Changes for the year:			
Service cost	2,317,188	N/A	2,317,188
Interest on the total OPEB liability	1,377,760	N/A	1,377,760
Changes of benefit terms	-	N/A	-
Differences between expected and actual experience	-	N/A	-
Changes of assumptions*	(1,486,904)	N/A	(1,486,904)
Gross benefit payments	(649,187)	(649,187)	-
Contributions from the employer	N/A	3,997,035	(3,997,035)
Contributions from the employee	N/A	3,386,902	(3,386,902)
Net investment income	N/A	173,858	(173,858)
Administrative expense	N/A	(359,518)	359,518
Other changes	N/A	(5,899,903)	5,899,903
Net Changes	1,558,857	649,187	909,670
Balance at June 30, 2019 (based on July 1, 2018 measurement date)	\$ 32,523,701	\$ 4,304,655	\$ 28,219,046

* The assumed discount rate increase from 4.18% at June 30, 2018 to 4.40% at June 30, 2019.

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

The following presents the Institute's net OPEB liability at June 30, 2019, which was measured using the discount rate of 4.40% percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.40 percent) or 1-percentage-point higher (5.40 percent) than the current rate:

Changes in Discount Rate	1% Decrease (3.40%)	Discount Rate (4.40%)	1% Increase (5.40%)
Net OPEB liability	\$ 34,670,335	\$ 29,219,046	\$ 23,185,003

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

The following presents the Institute's net OPEB liability at June 30, 2019, which was measured using the current healthcare cost trend rate of 3.00 percent, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (2.00 percent) or 1-percentage-point higher (4.00 percent) than the current rate:

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 8 – Other Postemployment Benefits Plan (continued)

	1% Decrease (Pre-Medicare: 5% decreasing to 4%, Post-Medicare: 4% Pharmacy: 7.5% decreasing to 4%, Dental & Vision: 2%)	Current Discount Rate (Pre-Medicare: 6% decreasing to 5%, Post-Medicare: 5% Pharmacy: 8.5% decreasing to 5%, Dental & Vision: 3%)	1% Increase (Pre-Medicare: 7% decreasing to 6%, Post-Medicare: 6% Pharmacy: 9.5% decreasing to 6%, Dental & Vision: 4%)
<u>Changes in the Healthcare Cost Trend Rates</u>			
Net OPEB liability	\$ 22,432,589	\$ 28,219,046	\$ 35,891,992

OPEB Plan Fiduciary Net Position

The Institute is the fiduciary of the Trust, and detailed information about the Trust's fiduciary net position is included this financial report.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Institute recognized OPEB expense of \$6,623,011. At June 30, 2019, the Institute reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Year ended June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 33,829	\$ -
Changes in assumptions	-	3,944,818
Institute contribution subsequent to the measurement date	<u>2,239,377</u>	<u>-</u>
Total	<u>\$ 2,273,206</u>	<u>\$ 3,944,818</u>

The \$2,273,206 reported as deferred outflows of resources related to OPEB resulting from Institute contributions subsequent to the measurement date of July 1, 2018 will be recognize as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 8 – Other Postemployment Benefits Plan (continued)

<u>Year ending June 30:</u>	
2020	\$ (522,404)
2021	(522,404)
2022	(522,404)
2023	(517,805)
2024	(529,711)
Thereafter	<u>(1,296,261)</u>
Total	<u>\$ (3,910,989)</u>

Note 9 – 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, 2019, have been based on the Institute's historical claims' experience. While management believes that these estimates are adequate, actual incurred but unpaid claims may vary significantly from the amount provided.

As of June 30, 2019, the changes in reserves for claims and claims adjustment expenses are included within accounts payable and accrued liabilities and are as follows:

Liability for claims and claims adjustment expenses, at beginning of year	\$ 996,000
Incurred claims and claims adjustment expenses	2,768,495
Payments, net of revenues	<u>(3,739,064)</u>
Liability for claims and claims adjustment expenses, at end of year	<u>\$ 25,431</u>

Note 10 – Defined Benefit Retirement Plan

Plan Description – The New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's Web site at https://www.nmerb.org/Annual_reports.html.

The Plan is a cost-sharing, multiple-employer pension 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 state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 10 – Defined Benefit Retirement Plan (continued)

The Plan is a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined in Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

Benefits Provided – A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) 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.

Summary of Plan Provisions for Retirement Eligibility – 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 of 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 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 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.

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 10 – Defined Benefit Retirement Plan (continued)

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits.
- The member's age is 67, and has earned 5 or more years of service credit.

Forms of Payments – 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.

Benefit Options – The Plan has three benefit options available.

- **Option A – Straight Life Benefit** – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C – Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

Disability Benefit – An NMERB member is eligible for disability benefits if they have acquired at least ten years of earned service credit and is found totally disabled. The disability benefit is equal to 2% of the member's Final Average Salary (FAS) multiplied by the number of years of total service credits. However, the disability benefit shall not be less than the smaller of (a) one-third of the member's FAS or (b) 2% of the member's FAS multiplied by total years of service credit projected to age 60.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 10 – Defined Benefit Retirement Plan (continued)

Cost of Living Adjustment (COLA) – All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010.
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013.
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013.

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is 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 1.5%. 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 1.7%.

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.

Refund of Contributions – Members may withdraw their contributions only when they terminate covered employment in the State and their former employer(s) certification determination has been received by NMERB. Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

Contributions – For the fiscal years ended June 30, 2019 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Over Prior Year
2019	7-1-18 to 6-30-2019	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 6-30-2019	\$20K or Less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For fiscal year ended June 30, 2019, the Institute paid employee and employer contributions of \$9,379,902, which equal the amount of the required contribution for fiscal year.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 10 – Defined Benefit Retirement Plan (continued)

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

At June 30, 2019, the Institute reported a liability of \$159,908,673 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018, using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. The Institute's proportion of the net pension liability was based on a projection of the Institute's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2018, actuarially determined. At June 30, 2018, the Institute's proportion was 1.34475 percent, which was an increase of 0.05951 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Institute recognized pension expense of \$27,890,050. At June 30, 2019, the Institute reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

<u>Resources Reported</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experience	\$ 116,707	\$ 3,043,319
Changes of assumptions	32,956,422	-
Net difference between projected and actual earnings on pension plan investments	353,997	-
Changes in proportion and differences between Institute contributions and proportionate share of contributions	3,514,930	712,674
Institute contributions subsequent to the measurement date	<u>5,461,995</u>	<u>-</u>
Total	<u>\$ 42,404,051</u>	<u>\$ 3,755,993</u>

The \$5,461,995 reported as deferred outflows of resources related to pensions resulting from Institute contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>For Year Ended June 30,</u>	<u>Pension Expense</u>
2020	\$ 19,639,953
2021	13,010,717
2022	530,734
2023	<u>4,659</u>
Total	<u>\$ 33,186,063</u>

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 10 – Defined Benefit Retirement Plan (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%												
Salary increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.												
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75% real rate of return.												
Average of expected remaining service lives	<table border="0" style="margin-left: 20px;"> <tr> <td style="text-align: left;">Fiscal year</td> <td style="text-align: center;"><u>2018</u></td> <td style="text-align: center;"><u>2017</u></td> <td style="text-align: center;"><u>2016</u></td> <td style="text-align: center;"><u>2015</u></td> <td style="text-align: center;"><u>2014</u></td> </tr> <tr> <td style="text-align: left;">Service life in years</td> <td style="text-align: center;">3.56</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </table>	Fiscal year	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.56	3.35	3.77	3.92	3.88
Fiscal year	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>								
Service life in years	3.56	3.35	3.77	3.92	3.88								
Mortality	<p>Healthy males: Based on the RP-2000 Combined Healthy Mortality Table with While Collar adjustments, no set back. Generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table's based year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>												
Retirement age	Experience-based table rates based on age and service, adopted by the NMERB Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.												

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 10 – Defined Benefit Retirement Plan (continued)

Cost-of-living increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.
Payroll growth	3.00% per year (with no allowance for membership growth).
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.
Disability incidence	Approved rates are applied to eligible members with at least 10 years of service.

The actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017, in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

The long-term expected rate of return on pension plan investments was determined using a building-block approach that includes the following:

- Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

The target allocation for each major asset class and the long-term expected rate of return are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Equities	33%	
Fixed Income	26	
Alternatives	40	
Cash	1	
Total	<u>100.0%</u>	<u>7.75%</u>

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 10 – Defined Benefit Retirement Plan (continued)

Discount Rate – A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is .21% less than the 5.90% discount rate used for June 30, 2017.

The June 30, 2018 single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.62%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine the June 30, 2018 single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Additionally, contributions received through Alternative Retirement Plan (APR) 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 5.69 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 (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
Institute's proportionate share of the net pension liability	\$ 207,820,031	\$ 159,908,673	\$ 120,815,996

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in separately issued NMERB’S financial reports. The reports can be found on NMERB’s Web site at https://www.nmerb.org/Annual_reports.html.

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 NMERB (which include contributions related to the Alternative Retirement Plan) for fiscal years ending June 30, 2019, 2018 and 2017 were \$5,461,995, \$5,230,496, and \$5,112,672, respectively, which is equal to the amount of the required contributions for each fiscal year.

At June 30, 2019, the Institute had an outstanding payable to the Plan of \$907,226 which consisted of statutory employee and employer contributions for the month of June 2019.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 11 – Defined Contribution Retirement Plan

Effective October 1991, the New Mexico legislature established an Alternative Retirement Plan (ARP) through the enactment of ERA Sections 22-11-47 through 52 NMSA 1978 to provide eligible employees an election to establish an alternative retirement investment plan. In contrast to the defined benefit plan administered by NMERB, the ARP is a defined contribution plan. NMERB is the trustee of the ARP which is administered by two third-party contractors for NMERB. The two administrators approved to offer ARP plans to eligible participants are Teachers Insurance and Annuity Association (TIAA) and Fidelity Investments.

These administrators have the authority to perform record keeping, enrollment education services, and other administrative duties for the ARP. The administrators are delegated any and all powers as may be necessary or advisable to discharge their duties under the ARP, and have certain discretionary authority to decide matters under the ARP. As the ARP trustee, NMERB is responsible for selecting investment options that provide a prudent rate of return, and to ensure that all investments, amounts, property, and rights under the executed Plan-Trust are held for the exclusive benefit of Plan participants and their beneficiaries, as defined in the Plan Document.

Eligibility – Certain eligible employees of the Institute are eligible to make an election to participate within ninety days of employment. Those who do not elect to participate in the ARP remain members of the regular defined benefit retirement plan.

Section 22-11-47(D) NMSA 1978 allows an ARP participant a one-time option to make an irrevocable switch to the defined benefit retirement plan after seven years of ARP participation.

Form of Payment – Retirement, death, and other benefits are based upon contributions made and earnings accumulated on those contributions, in accordance with the terms of the applicable vendor contracts and Internal Revenue Code. Retirement benefits shall, at the option of the employee, be paid in the form of:

- A lifetime income, if held in an annuity contract,
- Payments for a term of years, or
- A single-sum cash payment

ARP retirement, death, and other benefits, including disability benefits, cannot be paid from the funds administered by NMERB.

ARP Contributions – For the year ended June 30, 2019, colleges and universities contributed 10.90% of participating employees' gross salary to the ARP vendor on behalf of the participant, and 3% of the employees' gross salary to NMERB. The colleges and universities are responsible for submitting the balance of the employers' contribution, and the employees' contributions directly to the ARP vendors.

Employees participating in the ARP do not accrue rights to benefits in the defined benefit pension plan based on the 3% contributions to the plan.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 11 – Defined Contribution Retirement Plan (continued)

Employer contributions reported in the Institute financial statements include amounts remitted on behalf of both the ARP defined contribution plan and the defined benefit plan. The Institute's 3% contribution remitted for fiscal year ended June 30, 2019, 2018 and 2017 were \$921,763, \$887,805, and \$847,983, respectively.

Note 12 – Commitments and Contingencies

Operating Leases

The Institute is obligated under certain lease (rental) agreements, which are accounted for as operating leases. Incorporated in each lease agreement is a fiscal funding clause, which allows the Institute to cancel the operating lease if funding for future periods is not appropriated. The likelihood of such an occurrence is considered to be remote by the Institute. Total rent expense for the year ended June 30, 2019 was \$429,509.

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

For Years Ending June 30th,	Minimum Rental Payments
2020	\$ 275,458
2021	265,099
2022	209,300
2023	171,788
2024	129,984
2025-2029	450,450
2030-2034	60,000
Total	<u>\$ 1,562,079</u>

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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 12 – Commitments and Contingencies (continued)

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:

- Liability and civil rights protection for claims made by others against the Institute.
- 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.

Other Commitments

At June 30, 2019, 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 \$32,163,419.

Total construction commitments of \$1,386,051 are not presented in the financial statements. These commitments represent unfinished contracts with various entities at June 30, 2019.

Note 13 – 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. Each institution sets the amounts and/or percentage of net appreciation on endowment investments that are authorized for expenditure in its spending plan. Endowment income made available for distribution for the established purpose was \$1,676,714.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 14 – 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.

Note 15 – Reconciliation of Budget Basis to GAAP

Total Unrestricted and Restricted Revenues:

Budgetary Basis	\$ 144,376,358
Reconciling items:	
Tuition discounts and allowances	(4,968,025)
Indirect cost recovery	(7,959,920)
Cost share adjustment	(251,045)
Deposits held for other	25,058
Restricted internal service adjustment	(4,485,434)
Internal service cost recovery adjustment	3,398,508
Unbudgeted exhibits	7,758,386
Benefit Trust revenue	4,401,848
Blended component unit (amount not in budgetary basis)	76,982
Total reconciling items	<u>\$ (2,003,642)</u>
Total reconciled unrestricted and restricted revenues per budgetary basis	<u>\$ 142,372,716</u>
 Basic Financial Statements	
Operating revenue	\$ 87,230,213
Nonoperating revenue	39,654,346
Capital contributions and other	15,488,157
Total unrestricted and restricted revenue per financial statements	<u>\$ 142,372,716</u>
 Difference	<u>\$ -</u>

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 15 – Reconciliation of Budget Basis to GAAP (continued)

Total Unrestricted and Restricted Expenditures:

Budgetary Basis	\$ 144,115,879
Reconciling items:	
Tuition discounts and allowances	(4,968,025)
Indirect costs	(7,959,920)
Capital expenditures	(3,993,910)
Depreciation expense	10,920,384
Deposit held for others	116,071
Restricted internal service adjustment	(4,485,434)
Pension expense	22,428,055
OPEB expense	4,383,634
Internal service cost recovery adjustment	3,398,508
Benefit Trust expenses	4,463,135
Unbudgeted exhibits	4,472,582
Blended component unit (amount not in budgetary basis)	447,029
Total reconciling items	<u>\$ 29,222,109</u>
Total reconciled unrestricted and restricted expenditures per budgetary basis	<u>\$ 173,337,988</u>
Basic Financial Statements	
Operating expenditures	<u>\$ 173,337,988</u>
Total unrestricted and restricted revenue per financial statements	<u>\$ 173,337,988</u>
Difference	<u>\$ -</u>

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation

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, 2019.

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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

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.

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 or contractually obligated to spend in accordance with imposed restrictions by third parties. 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. Nonexpendable restricted net position consists 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. When both restricted and unrestricted funds are available, restricted funds are expended first.

Net investment in capital assets is intended to reflect the portion of net position which is associated with nonliquid, capital assets. There is no related debt.

Deferred outflows of resources consumed and deferred inflows of resources received and available are elements of the Statement of Net Position for reporting the residual balances. There were no deferred outflows or inflows of resources to separately report at June 30, 2019.

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 its 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 transactions are recorded on the trade date basis. Dividends are recognized as income when declared. 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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

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 %

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 SIC. Income is allocated based on the proportionate market value of the investment of each participating fund.

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, 2019. 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 or decrease in restricted, expendable net position until the amount is expended in accordance with donor specifications.

Private Equity Investments – The private equity investments represent ownership in a closely held business, which is not publicly traded. This investment is recorded under the equity method of accounting in accordance with GASB 62 as the Foundation owns between 20% and 50% of the business and is able to exercise some level of control.

The Foundation'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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

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 had previously been fully impaired and continues to have a recorded fair value of \$0 at June 30, 2019.

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, which is the only depreciable asset, is being depreciated using a straight-line method over a twenty-seven and a half year estimated useful life. The Foundation capitalizes property and equipment purchases with a cost over \$5,000.

Classification of Revenues – The Foundation has classified its revenues as either operating or nonoperating according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions such as lease income on Foundations capital assets and nonexchange transactions such as gifts and contributions. Revenue on contracts and grants are recognized to the extent that the underlying exchange transaction has occurred.

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, including other revenue sources that are consistently applied as nonoperating revenue, such as investment income.

Gifts and contributions are recognized when all applicable eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, generally it is the Foundation's policy to use the restricted resources first.

Contributions of donated noncash assets are recorded at their fair values in the period received.

Endowments – The endowment spending policy is in alignment with the long term endowment management philosophy of the Foundation, which is to preserve the permanent viability of the endowment. The Foundation supports vital scholarship and other programs from the earnings of its endowment. These programs are in concert with provisions established by the donors of the endowment. Net appreciation/depreciation on donor-restricted endowments and related investment income are recorded as an increase in restricted, expendable net position and are available for expenditure in accordance with donor specifications and in accordance with the State of New Mexico Uniform Prudent Management of Institutional Funds Act. (46-9A 1-10 NMSA 1978).

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (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.

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. There were no uncertain tax positions taken by the Foundation for the year ended June 30, 2019.

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, 2019, the Foundation's deposits were exposed to custodial credit risk as follows:

	First State Bank	Wells Fargo	Total
Total of deposits in the bank	\$ 222,252	\$ 188,479	\$ 410,731
FDIC Coverage	(222,252)	(188,479)	(410,731)
Total uninsured funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Custodial credit risk-deposits			
Account balance			\$ 410,731
FDIC insured			(410,731)
Total Uninsured and uncollateralized			<u>\$ -</u>

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, 2019 follows:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
First State Bank	Checking	Cash	\$ 220,663	\$ (4,911)	\$ 215,752
First State Bank	Savings	Cash	1,589	-	1,589
Wells Fargo	Checking	Cash	188,479	-	188,479
Total cash and cash equivalents			<u>\$ 410,731</u>	<u>\$ (4,911)</u>	<u>\$ 405,820</u>

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

Investments

A summary of the investments at June 30, 2019 are as follows:

Investments	Ratings	Fair Value
Investments held with the New Mexico State Investment Council (SIC) pooled funds		
Large Cap Index Fund	Not Rated	\$ 16,137,766
Core Plus Bonds Pool	Not Rated	<u>9,273,945</u>
Total investments		<u>\$ 25,411,711</u>

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

Interest Rate Risk – Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2019, the Foundation had fixed income and bond type investments subject to interest rate risk.

Credit Risk – Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2019, none of the above investments were subject to credit risk.

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

- Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2** Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

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, 2019.

The investment portfolio is comprised of 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 2019, the Foundation used the net asset value provided by the SIC as an approximation of the fair value of SIC investments. These investments are classified within Level 2 of the fair value hierarchy. This approach has not 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, 2019:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments held with the New Mexico State Investment Council (SIC) pooled funds				
Large Cap Index Fund	\$ 16,137,766	\$ -	\$ 16,137,766	\$ -
Core Plus Bonds Pool	9,273,945	-	9,273,945	-
Total investments	<u>\$ 25,411,711</u>	<u>\$ -</u>	<u>\$ 25,411,711</u>	<u>\$ -</u>

Promise to Give

Promise to give are included within other assets and is due one year from one donor and consist of \$477,327, which include a discount to net present value of \$22,673 at June 30, 2019.

Notes Receivable

The Foundation funded the construction of a building for a company which leases land from the Institute. The Foundation has a related party note receivable of \$111,993 of which \$96,857 is reported as a current asset and \$15,136 is a noncurrent asset. The note bears a variable rate of interest based on Wall Street Journal Prime (currently 5%), is payable monthly over 15 years (maturing in 2020), and is secured by the building.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

The Foundation received a \$50,000 unsecured note receivable from RiskSense, a related party, as part of the purchase of certain patent rights. The note has a balance of \$21,282, with \$9,982 reported as a current asset and \$11,300 reported as a noncurrent asset. The note is dated August 31, 2015, and has a variable rate of interest based on Wall Street Journal Prime (currently 5.5% at June 30, 2019) plus one percent. The note will be repaid with five annual payments with the three remaining installments due on or before September 6, 2019 and 2020, respectively.

Future principal and interest payment to be received related to notes receivable are as following for the year ending June 30:

2020		\$	106,839
2021			26,436
			26,436
		\$	133,275

Notes receivables are included in other assets in the schedule of net position.

Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciating				
Land and building held for investment	\$ 645,164	\$ -	\$ -	\$ 645,164
Artwork	130,500	-	-	130,500
Total assets not depreciating	775,664	-	-	775,664
Capital assets depreciating				
Building	1,648,127	-	-	1,648,127
Accumulated depreciation				
Building	(915,326)	(59,932)	-	(975,258)
Capital assets, net	\$ 1,508,465	\$ (59,932)	\$ -	\$ 1,448,533

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.

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 \$0 to the Foundation for accounting and management services during the year ended June 30, 2019.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

Several of the Foundation's board members are also officers of the Institute. One of the Foundation's board member is also a board member of RiskSense.

The Foundation leases an apartment building to the Institute. The lease is classified as an operating lease on a month-to-month basis. Lease revenues were \$90,150 for 2019.

The Foundation funded \$1,763,314 in scholarships and awards which were provided through the Institute during the year ended June 30, 2019. 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 \$1,304,751 to the Institute during 2019.

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.

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, nonexpendable on the statement of net position, and were \$5,307,107 at June 30, 2019.

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, nonexpendable 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 gains of \$523,152.

The Board of Trustees of the Foundation has interpreted the 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, nonexpendable 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. There were no donor endowments, whose fair value was less than the original value (under water) during 2019.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 16 – Discretely Presented Component Unit – The New Mexico Tech Research Foundation (continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate income from the restricted, non-expendable endowment funds:

- The duration and preservation of the various funds,
- The purpose of the donor-restricted funds,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of the Foundation,
- The Foundation's investment policies.

Spending Policy – The Foundation has available for distribution in any given year, all amounts in the unrestricted net position. However, the actual number of scholarships given out may be limited by the number of qualified applicants for the various scholarships. The decisions to award scholarships depends on the scholarship, with some being decided by the Board of Trustees, and others being decided by the Institute. The Foundation also may provide general support to the Institute by way of supporting fundraising and promotional activities.

Return Objectives and Risk Parameters – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a consistent stream of funding for scholarships and related activities, while seeking to maintain the purchasing power of the endowment assets and minimizing their exposure to significant market fluctuations. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period.

Endowment Composition by Type of Fund – All funds in the Endowment are donor-restricted for the use of providing scholarships and support activities for the Institute.

Strategies Employed for Achieving Objectives – To satisfy its long-term objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation investments are either held by the New Mexico State Investment Council, or in a variety of mutual funds to achieve its long term return objectives within prudent risk constraints.

	Beginning Balance	Increases	Decreases	Ending Balance
Restricted Endowments				
Restricted, non-expendable	\$ 3,915,847	\$ 1,391,260	\$ -	\$ 5,307,107
Restricted, expendable	1,336,805	595,551	(139,868)	1,792,488
Total restricted endowments	\$ 5,252,652	\$ 1,986,811	\$ (139,868)	\$ 7,099,595

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
June 30, 2019

Fiscal Year- June 30, Measurement Date- June 30,	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
Institute's proportion of the net pension liability (asset)	1.34475%	1.28524%	1.30892%	1.30317%	1.30317%
Institute's proportionate share of the net pension liability	\$ 159,908,673	\$ 159,908,673	\$ 94,195,558	\$ 84,363,804	\$ 74,355,364
Institute's covered payroll	\$ 34,954,101	\$ 35,751,781	\$ 35,561,330	\$ 41,456,404	\$ 35,272,861
Institute's proportionate share of the net pension liability as a percentage of its covered-employee payroll	457.48%	447.27%	264.88%	203.50%	210.80%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	52.95%	61.58%	63.97%	66.54%

*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.

New Mexico Institute of Mining and Technology
Schedule of Contributions
Educational Retirement Board (ERB) Pension Plan
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 5,461,995	\$ 5,230,496	\$ 5,010,002	\$ 5,146,388	\$ 5,135,439
Contribution in relation to the statutorily required contributions	\$ 5,461,995	\$ 5,230,496	\$ 5,010,002	\$ 5,146,388	\$ 5,135,439
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Institute covered payroll	\$ 35,849,654	\$ 34,954,101	\$ 35,751,781	\$ 35,561,330	\$ 41,456,404
Contributions as a percentage of covered payroll	15.24%	14.96%	14.01%	14.47%	12.39%

*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.

New Mexico Institute of Mining and Technology
Notes to Defined Benefit Retirement Plan RSI
For Year Ended June 30, 2019

Changes in Benefit Provisions

There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

Changes in Assumptions and Methods

Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

New Mexico Institute of Mining and Technology
Schedule of Employer Contributions –
Other Postemployment Benefits (OPEB)
For Year Ended June 30, 2019

The schedule of Institute's contributions presents multiyear trend information for the last 10 fiscal years. Fiscal Year 2017 was the first year of implementation, therefore only three years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be present.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 2,239,377	\$ 3,997,035	\$ 4,998,780
Contributions in relation to the actuarially determined contribution	<u>2,239,377</u>	<u>3,997,035</u>	<u>4,998,780</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 14,433,122	\$ 28,337,003	\$ 28,142,927
Contributions as a percentage of payroll	15.5%	14.1%	17.8%

Notes to Schedule:

Valuation date January 1, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal – level % of salary

Asset valuation method Market value of assets

Inflation 2.5%

Healthcare cost trend rates Medical Pre-Medicare: 6% initially, reduced by decrements to a rate of 5.0% after six years
Medical Post-Medicare: 5% consistent for next six years
Pharmacy: 8.5% initially, reduced by decrement to a rate of 5% after six years
Dental and Vision: 3.0%

Salary increases 3.0%

Investment rate of return 6.0%

Retirement age 64

Mortality RP-2006 headcount-weighted mortality table with fully generational Mortality improvement projections from the central year using Scale MP-2017.

New Mexico Institute of Mining and Technology

Schedule of Changes in Net OPEB Liability and Related Ratios

Last 10 Fiscal Years*

The schedule of changes in the Institute's net OPEB liability and related ratios presents multiyear trend information for the last 10 fiscal years. Fiscal Year 2017 was the first year of implementation, therefore, only three years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 2,317,188	\$ 2,697,731	\$ 2,149,935
Interest cost	1,377,760	1,225,228	1,194,327
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(1,486,903)	(3,354,656)	3,706,743
Benefit payments	(649,187)	(1,490,341)	(930,054)
Net change in total OPEB liability	1,558,858	(922,038)	6,120,951
Total OPEB liability, beginning	30,964,844	31,886,882	25,765,931
Total OPEB liability, ending ^(a)	32,523,702	30,964,844	31,886,882
Plan fiduciary net position			
Contributions: employer	3,997,035	4,998,780	4,936,193
Contributions: member	3,386,902	3,706,201	3,628,635
Net investment income	173,859	208,410	29,580
Benefit payments	(649,187)	(1,490,341)	(930,054)
Administrative expenses	(359,518)	(378,843)	(388,416)
Other	(5,899,903)	(6,132,822)	(5,963,176)
Net change in plan fiduciary position	649,188	911,385	1,312,762
Plan fiduciary net position, beginning	3,655,468	2,744,083	1,431,321
Plan fiduciary net position, ending ^(b)	4,304,656	3,655,468	2,744,083
Net OPEB liability, ending ^{(a) - (b)}	\$ 28,219,046	\$ 27,309,376	\$ 29,142,799
Plan fiduciary net position as a percentage of the total OPEB liability	13.2%	11.8%	8.6%
Covered-employee payroll	\$ 28,337,003	\$ 28,142,927	\$ 27,958,526
Institute's net OPEB liability as a percentage of covered-employee payroll	100%	97%	104%

Notes to Schedule:

Benefit changes: None

Changes in assumptions: The \$3,354,656 decrease in liability from the fiscal year ending June 30, 2017 to the fiscal year ending June 30, 2018 is due to the increase in the assumed discount rate as of the measurement date. The \$1,486,903 decrease in the liability from the fiscal year ending June 30, 2018 to the fiscal year ending June 30, 2019 is due to the increase in the assumed discount rate as of the measurement date.

New Mexico Institute of Mining and Technology
Schedule of OPEB Investment Returns
Last 10 Fiscal Years*

The schedule of Institute's OPEB investment returns present multiyear trend information for the last 10 fiscal years. Fiscal Year 2017 was the first year of implementation, therefore, only two years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	7.10%	9.40%	11.30%

Supplementary Information

New Mexico Institute of Mining and Technology
Budget Comparison – Unrestricted and Restricted – All Operations (Schedule 1)
For Year Ended June 30, 2019

	Original Budget	Final Budget	Actuals	Final Budget vs Actuals Over (Under) Budget
Unrestricted and restricted beginning net position	\$ 31,846,945	\$ 62,514,221	\$ 62,514,221	\$ -
Unrestricted and restricted revenues:				
State general fund appropriations	42,765,164	44,060,164	37,092,750	(6,967,414)
Restricted revenue sources	70,132,154	70,622,383	69,344,799	(1,277,584)
Tuition and fees	15,419,798	14,373,258	14,345,439	(27,819)
Land and permanent fund	1,050,000	1,175,000	1,789,800	614,800
Endowment earnings/private gifts	389,000	389,000	807,007	418,007
Other	15,671,633	15,675,732	20,996,563	5,320,831
Total unrestricted and restricted revenues	145,427,749	146,295,537	144,376,358	(1,919,179)
Total unrestricted and restricted revenues and net position budgeted	177,274,694	208,809,758	206,890,579	(1,919,179)
Unrestricted and restricted expenditures:				
Instruction and general	41,952,008	48,961,462	40,288,594	(8,672,868)
Student social and cultural	674,000	1,345,461	910,956	(434,505)
Research	65,849,594	73,620,151	65,550,117	(8,070,034)
Public service	461,431	747,560	571,878	(175,682)
Internal service departments	6,505,109	6,959,200	6,521,988	(437,212)
Student aid	10,661,813	11,853,906	10,627,972	(1,225,934)
Auxiliary enterprises	5,753,462	5,807,619	5,764,665	(42,954)
Intercollegiate athletics	-	5,944	5,944	-
Independent operations	5,903,098	6,476,539	5,695,004	(781,535)
Capital outlay	10,591,631	10,591,631	5,912,841	(4,678,790)
Renewal and replacements	354,258	1,862,733	1,797,597	(65,136)
Retirement of indebtedness	1,055,550	1,055,550	468,323	(587,227)
Total unrestricted and restricted expenditures	149,761,954	169,287,756	144,115,879	(25,171,877)
Net transfers	(157,000)	427,373	90,451	(336,922)
Change in net (deficit) position (Budgetary basis)	(4,491,205)	(22,564,846)	350,930	22,915,776
Ending net position	\$ 27,355,740	\$ 39,949,375	\$ 62,865,151	\$ 22,915,776

Under title 5 of the New Mexico Administrative Code, chapter 3, part 4, paragraph 10- Items of Budgetary Control: The total expenditures in each of the following budgetary functions will be used as the items of budgetary control. Total expenditures or transfers in each of these items of budgetary control may not exceed the amounts shown in the approved budget: A. Unrestricted expenditures and restricted expenditures, B. Instruction and general, C. Each budget function in current funds other than instruction and general, D. Within the plant funds budget: major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements and dent service, and E. Each individual items of transfer between funds and/or functions.

See accompanying independent auditor's report.

New Mexico Institute of Mining and Technology
Unrestricted Revenues and Expenditures – Budget Comparisons (Schedule 2)
For Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals</u>	<u>Final Budget vs Actuals Over (Under) Budget</u>
Unrestricted beginning net position	\$ 31,846,945	\$ 62,498,073	\$ 62,498,073	\$ -
Unrestricted revenues:				
Tuition	12,401,685	11,351,645	11,272,275	(79,370)
Miscellaneous fees	3,018,113	3,021,613	3,073,164	51,551
Government appropriation, federal	-	-	-	-
Government appropriation, state	42,559,400	43,854,400	37,092,750	(6,761,650)
Government appropriation, local	-	400,000	-	-
Government grants, federal	-	-	107,723	107,723
Government grants, state	205,764	205,764	-	(205,764)
Contracts, local	-	-	-	-
Private contracts	-	-	-	-
Endowments	389,000	389,000	807,007	418,007
Land and permanent fund	1,050,000	1,175,000	1,789,800	614,800
Private gifts	49,900	49,900	-	(49,900)
Sales and service	7,167,177	7,167,177	6,930,844	(236,333)
Other sources	8,454,556	8,458,655	13,957,996	5,499,341
Total unrestricted revenues	<u>75,295,595</u>	<u>76,073,154</u>	<u>75,031,559</u>	<u>(641,595)</u>
 Total unrestricted revenues and net position budgeted	 <u>107,142,540</u>	 <u>138,571,227</u>	 <u>137,529,632</u>	 <u>(641,595)</u>
Unrestricted expenditures:				
Instruction and general	41,952,008	48,961,462	40,288,594	(8,672,868)
Student social and cultural	674,000	1,345,461	910,956	(434,505)
Research	9,841,094	17,611,651	8,938,954	(8,672,697)
Public service	461,431	747,560	571,878	(175,682)
Internal service departments	1,158,938	1,170,768	931,166	(239,602)
Student aid	3,434,330	4,562,307	4,490,826	(71,481)
Auxiliary enterprises	5,753,462	5,807,619	5,764,665	(42,954)
Intercollegiate athletics	-	5,944	5,944	-
Independent operations	4,353,098	4,926,539	4,428,545	(497,994)
Capital outlay	10,591,631	10,591,631	5,912,841	(4,678,790)
Renewal and replacements	354,258	1,862,733	1,797,597	(65,136)
Retirement of indebtedness	1,055,550	1,055,550	468,323	(587,227)
Total unrestricted expenditures	<u>79,629,800</u>	<u>98,649,225</u>	<u>74,510,289</u>	<u>(24,138,936)</u>
Net transfers	<u>(157,000)</u>	<u>427,373</u>	<u>485,573</u>	<u>58,200</u>
Change in net (deficit) position (Budgetary basis)	<u>(4,491,205)</u>	<u>(22,148,698)</u>	<u>1,006,843</u>	<u>23,555,541</u>
Ending net position	<u>\$ 27,355,740</u>	<u>\$ 40,349,375</u>	<u>\$ 63,504,916</u>	<u>\$ 23,555,541</u>

See accompanying independent auditor's report.

New Mexico Institute of Mining and Technology
Restricted Current Funds – Revenues and Expenditures
Budget Comparisons (Schedule 3)
For Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Budget	Final Budget vs Actuals Over (Under) Budget
Restricted beginning net position	\$ -	\$ 16,148	\$ 16,148	\$ -
Restricted revenues:				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation, federal	194,731	194,731	323,318	128,587
Government appropriation, state	-	-	-	-
Government appropriation, local	-	-	-	-
Government grants, federal	49,982,752	50,472,981	49,733,642	(739,339)
Government grants, state	4,250,000	4,250,000	1,747,151	(2,502,849)
Contracts, other	-	-	3,401,582	3,401,582
Private contracts	10,246,000	10,246,000	9,166,521	(1,079,479)
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales and service	5,346,171	5,346,171	4,972,585	(373,586)
Other sources	112,500	112,500	-	(112,500)
Total restricted revenues	<u>70,132,154</u>	<u>70,622,383</u>	<u>69,344,799</u>	<u>(1,277,584)</u>
Cash balance, budgeted	-	16,148	16,148	-
Total restricted revenues and net position budgeted	<u>70,132,154</u>	<u>70,638,531</u>	<u>69,360,947</u>	<u>(1,277,584)</u>
Restricted expenditures:				
Instruction and general	-	-	-	-
Student social and cultural	-	-	-	-
Research	56,008,500	56,008,500	56,611,163	602,663
Public service	-	-	-	-
Internal service departments	5,346,171	5,788,432	5,590,822	(197,610)
Student aid	7,227,483	7,291,599	6,137,146	(1,154,453)
Auxiliary enterprises	-	-	-	-
Intercollegiate athletics	-	-	-	-
Independent operations	1,550,000	1,550,000	1,266,459	(283,541)
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
Total restricted expenditures	<u>70,132,154</u>	<u>70,638,531</u>	<u>69,605,590</u>	<u>(1,032,941)</u>
Net transfers	-	-	(395,122)	(395,122)
Change in net (deficit) position (Budgetary basis)	-	-	(639,765)	(639,765)
Ending net position	<u>\$ -</u>	<u>\$ 16,148</u>	<u>\$ (623,617)</u>	<u>\$ (639,765)</u>

See accompanying independent auditor's report.

New Mexico Institute of Mining and Technology
Unrestricted Current Funds – Summary of Instruction and General
Budget Comparisons (Schedule 4)
For Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals</u>	Final Budget vs Actuals Over (Under) Budget
Unrestricted beginning net position	\$ 1,461,239	\$ 9,248,482	\$ 9,248,482	\$ -
Unrestricted revenues:				
Tuition	12,401,685	11,351,645	11,272,275	(79,370)
Miscellaneous fees	2,001,794	2,005,294	2,090,847	85,553
Government appropriation, federal	-	-	-	-
Government appropriation, state	26,650,200	26,913,200	26,650,200	(263,000)
Government appropriation, local	-	-	-	-
Government grants, federal	-	-	-	-
Government grants, state	-	-	-	-
Contracts, local	-	-	-	-
Private gift/contracts	-	-	-	-
Endowment earnings	389,000	389,000	398,217	9,217
Land and permanent fund	1,050,000	1,175,000	1,789,800	614,800
Private gifts	-	-	-	-
Sales and service	-	-	-	-
Other sources	6,147,056	6,151,155	7,575,245	1,424,090
Total unrestricted revenues	<u>48,639,735</u>	<u>47,985,294</u>	<u>49,776,584</u>	<u>1,791,290</u>
Unrestricted expenditures:				
Instruction	19,888,237	23,104,175	17,718,035	(5,386,140)
Academic support	4,423,176	4,926,970	4,594,389	(332,581)
Student services	2,410,116	2,895,066	2,343,337	(551,729)
Institutional support	8,965,760	11,770,532	8,226,979	(3,543,553)
Operation and maintenance of plant	6,264,719	6,264,719	7,405,854	1,141,135
Total unrestricted expenditures	<u>41,952,008</u>	<u>48,961,462</u>	<u>40,288,594</u>	<u>(8,672,868)</u>
Net transfers	<u>(6,737,464)</u>	<u>(6,801,585)</u>	<u>(7,945,027)</u>	<u>(1,143,442)</u>
Change in net (deficit) position (Budgetary basis)	<u>(49,737)</u>	<u>(7,777,753)</u>	<u>1,542,963</u>	<u>9,320,716</u>
Ending net position	<u>\$ 1,411,502</u>	<u>\$ 1,470,729</u>	<u>\$ 10,791,445</u>	<u>\$ 9,320,716</u>

See accompanying independent auditor's report.

New Mexico Institute of Mining and Technology
Schedule of Deposit Collateral (Schedule 5)
June 30, 2019

	Pledged Collateral		Maturity Date	First State Bank Socorro, NM	Wells Fargo Socorro, NM	Total
	Safekeeping Location	Type of Security				
Funds on deposit						
Deposits				\$ 41,272,488	\$ 3,184,386	\$ 44,456,874
FDIC insurance						
Demand deposits				<u>(500,000)</u>	<u>(250,000)</u>	<u>(750,000)</u>
Total uninsured public funds				<u>\$ 40,772,488</u>	<u>\$ 2,934,386</u>	<u>\$ 43,706,874</u>
Fifty percent collateral requirement per Section 6-10-17 NMSA 1978				\$ 20,386,244	\$ 1,467,193	\$ 21,853,437
Pledged collateral	Federal Reserve Bank	FFCB 2.200 CUSIP #3133ECK94	3/2/2023	5,028,808	-	5,028,808
		FFCB Non CBL CUSIP #3133X8EW8	8/15/2024	1,064,749	-	1,064,749
		FHLB 2.875 CUSIP #3130A2UW4	9/13/2024	5,103,410	-	5,103,410
		FCCB 3.62 CUSIP #31331KUD0	2/11/2025	3,690,255	-	3,690,255
		FFCB Non CBL CUSIP #3133VKU9	4/16/2025	3,061,088	-	3,061,088
		FFCB 2.630 CUSIP #3133EAG44	8/3/2026	1,940,525	-	1,940,525
		FHLB 3.00 CUSIP #3130A2VE3	9/11/2026	5,916,383	-	5,916,383
		FFCB 3.060 CUSIP #3133EJDF3	2/16/2027	8,966,844	-	8,966,844
		FFCB 4.230 CUSIP #31331KNC0	6/8/2028	1,412,932	-	1,412,932
		FMAC 2.500% CUSIP #31307RMP7	7/1/2031	-	630,581	630,581
		FNMA 3.0% CUSIP #3138EKFA8	12/1/1942	-	352,844	352,844
		FNMA 2.50% CUSIP #3140F9BS3	8/1/2031	-	790,278	790,278
Total collateral				<u>36,184,994</u>	<u>1,773,703</u>	<u>37,958,697</u>
Excess of pledged collateral over the required amount				<u>\$ 15,798,750</u>	<u>\$ 306,510</u>	<u>\$ 16,105,260</u>

New Mexico Institute of Mining and Technology
Schedule of Individual Deposit and Investment Accounts – Institute (Schedule 6)
June 30, 2019

Financial Institution: Account name	Account Type	Bank Balance	Outstanding (Checks) Deposits	Book Balance
Deposits:				
First State Bank				
Comptroller cash on deposit	Checking	\$ 40,713,589	\$ (1,701,362)	\$ 39,012,227
Payroll cash on deposit	Checking	198,676	(887,707)	(689,031)
NMEAF cash on deposit	Checking	33,331	8,943	42,274
Research park corp	Checking	326,892	-	326,892
		<u>41,272,488</u>	<u>(2,580,126)</u>	<u>38,692,362</u>
Wells Fargo				
Vendor cash on deposit	Checking	1,605,672	(1,119,214)	486,458
Benefit trust operating	Checking	1,301,681	(8,016)	1,293,665
Benefit trust claims	Checking	277,033	(18,468)	258,565
		<u>3,184,386</u>	<u>(1,145,698)</u>	<u>2,038,688</u>
Total deposit accounts		<u>44,456,874</u>	<u>(3,725,824)</u>	<u>40,731,050</u>
Other:				
Petty cash		-	-	116,605
Total cash		<u>44,456,874</u>	<u>(3,725,824)</u>	<u>40,847,655</u>
Investments:				
Morgan Stanley				
Langmuir endowment	Investment	3,046,400	-	3,046,400
NMT capital campaign	Investment	720,643	-	720,643
		<u>3,767,043</u>	<u>-</u>	<u>3,767,043</u>
TD Ameritrade				
New Mexico Institute of Mining and Technology	Investment	230,479	-	230,479
New Mexico State Investment Council				
New Mexico Institute of Mining and Technology	Investment	67,608,840	-	67,608,840
New Mexico State Treasurer - LGIP				
New Mexico Institute of Mining and Technology	Investment	17,758,091	-	17,758,091
New Mexico Benefit Trust	Investment	952,096	-	952,096
		<u>18,710,187</u>	<u>-</u>	<u>18,710,187</u>
Total investments		<u>90,316,549</u>	<u>-</u>	<u>90,316,549</u>
Total cash and investments		<u>\$ 134,773,423</u>	<u>\$ (3,725,824)</u>	<u>\$ 131,164,204</u>
Cash and investments on statement of net position				<u>\$ 131,164,204</u>

New Mexico Institute of Mining and Technology
Schedule of Individual Deposit and Investment Accounts – Discretely Presented Component
Unit (Schedule 7)
June 30, 2019

Financial Institution: Account name	Account Type	Bank Balance	Outstanding (Checks) Deposits	Book Balance
Deposits:				
First State Bank				
Checking	Checking	\$ 220,663	\$ (4,911)	\$ 215,752
Saving	Saving	1,589	-	1,589
		<u>222,252</u>	<u>(4,911)</u>	<u>217,341</u>
Wells Fargo				
Checking	Checking	188,479	-	188,479
Total deposit accounts		<u>410,731</u>	<u>(4,911)</u>	<u>405,820</u>
Total cash		<u>410,731</u>	<u>(4,911)</u>	<u>405,820</u>
Investments:				
New Mexico State Investment Council				
New Mexico Tech Research Foundation	Investment	25,411,711	-	25,411,711
Total investments		<u>25,411,711</u>	<u>-</u>	<u>25,411,711</u>
Total cash and investments		<u>\$ 25,822,442</u>	<u>\$ (4,911)</u>	<u>\$ 25,817,531</u>
Cash and investments on statement of net position				<u>\$ 25,817,531</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 (Schedule 8)
For Year Ended June 30, 2019

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
General Obligation Revenue Bond													
General Fund													
General Obligation	Ch82, Sec10B	2016	2017	6/30/2019	\$ 55,203	\$ 55,203	\$ -	\$ 55,203	\$ -	\$ 55,203	\$ -	\$ -	\$ -
General Obligation	Ch82, Sec10C	2016	2017	6/30/2021	5,500,000	5,500,000	-	5,500,000	161,556	-	55,000	-	5,283,444
Total General Obligation Revenue Bonds					<u>\$ 5,555,203</u>	<u>\$ 5,555,203</u>	<u>\$ -</u>	<u>\$ 5,555,203</u>	<u>\$ 161,556</u>	<u>\$ 55,203</u>	<u>\$ 55,000</u>	<u>\$ -</u>	<u>\$ 5,283,444</u>
Severance Tax Bond													
NMIMT Jones Hall Equip & Furnish	Ch68 Severance Tax-16A	2018	2018	6/30/2019	\$ 90,000	\$ -	\$ -	\$ 90,000	\$ -	\$ 89,550	\$ -	\$ 450	\$ -
Total Severance Tax Bonds					<u>\$ 90,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ -</u>	<u>\$ 89,550</u>	<u>\$ -</u>	<u>\$ 450</u>	<u>\$ -</u>
Total Capital Appreciation					<u>\$ 5,645,203</u>	<u>\$ 5,555,203</u>	<u>\$ -</u>	<u>\$ 5,645,203</u>	<u>\$ 161,556</u>	<u>\$ 144,753</u>	<u>\$ 55,000</u>	<u>\$ 450</u>	<u>\$ 5,283,444</u>

* The remaining \$450 has been reverted back to the State.

New Mexico Institute of Mining and Technology
Schedule of Joint Powers Agreements (Schedule 9)
For Year Ended June 30, 2019

<u>Other Participant(s)</u>	<u>Party Responsible for Operations</u>	<u>Description</u>	<u>Beginning Date</u>	<u>Ending Date</u>	<u>Total Estimated Cost</u>	<u>FY 2019 Contributions</u>	<u>Audit Responsibility</u>	<u>Fiscal Responsibility</u>	<u>Equity Reporting Cost</u>
Socorro Co.	Socorro County	County to use equipment owned by NMIMT for the construction and maintenance of the landfill	4/12/1994	Ongoing	None	None	Both	Both	Both
City of Socorro	City of Socorro	County to use equipment owned by NMIMT for the construction and maintenance of the landfill	7/18/1994	Ongoing	None	None	Both	Both	Both
City of Socorro	Both	City to maintain the road from the ramp on Interstate 25 (Escondid Exit) to NMIMT property line approximately 3400 feet to the north of the current EMRTC parking lot. NMIMT will provide an ingress and egress easement to the City and maintain the portion of EMRTC roadway that lies on NMIMT property	2/7/1996	Ongoing	None	None	Both	Both	Both

New Mexico Institute of Mining and Technology

Schedule of Expenditures of Federal Awards (Schedule 10)

For Year Ended June 30, 2019

Federal Grantor/Program Title	Award Number	Pass-Through Entity	Funding Agency Identification Number/Contract ID	Federal C DFA Number	Amount Passed Through To Subrecipients	Total Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER						
U.S. Department of Agriculture						
pass-through						
Crop Protection & Pest Management Competitive Grants Program	MDIP	Regents of New Mexico State University	Q01987	10.329	\$ -	\$ 6,419
Total U.S. Department of Defense						6,419
U.S. Department of Defense						
Direct Awards						
Air Force Defense Research Sciences Program	FDUR		FA9550-19-1-0094	12.800	-	351,516
Air Force Defense Research Sciences Program	FLTS		FA9550-18-1-0452	12.800	-	182,444
Research and Technology Development	FAIR		FA9453-15-2-0086	12.910	158,692	6,324,470
Basic, Applied, & Advanced Research in Science & Engineering	AFRA		W911NF-16-1-0512	12.630	-	91,590
Basic and Applied Scientific Research	NCNL		N00014-16-1-2897	12.300	-	26,358
Basic and Applied Scientific Research	NEDE		N00014-17-1-2181	12.300	-	23,291
Total Direct U.S. Department of Defense					158,692	6,999,669
Pass-through						
Basic, Applied, & Advanced Research in Science & Engineering	MDMT	Johns Hopkins University	2001645111	12.630	-	87,695
Scientific Research-Combating Weapons of Mass Destruction	MTME	University of New Mexico	023317-8746	12.351	-	119,683
Basic, Applied, & Advanced Research in Science & Engineering	MSME	University of Utah	10028801-NMT	12.630	-	105,702
Scientific Research-Combating Weapons of Mass Destruction	PGEO	Weston Geophysical Corporation	NMT-1183-001	12.351	-	83,064
Total Pass-through U.S. Department of Defense					-	396,144
Total U.S. Department of Defense					158,692	7,395,813
U.S. Department of Energy						
Direct Awards						
Fossil Energy Research and Development	DBRS		DE-FE0031684	81.089	-	192,300
Fossil Energy Research and Development	DZRS		DE-FE0031684	81.089	-	33,112
Fossil Energy Research and Development	DSWT		DE-FC26-05NT42591	81.089	1,829,800	3,807,700
Office of Science Financial Assistance Program	DIPR		DE-SC0019411	81.049	-	22,928
Total Direct Department of Energy					1,829,800	4,056,040
Pass-through						
Fossil Energy Research and Development	MAGR	Colorado School of Mines	401183-5802	81.089	-	50,851
Fossil Energy Research and Development	MZGR	Colorado School of Mines	401183-5802	81.089	-	12,304
Fossil Energy Research and Development	MFEP	University of Alaska	UAF-19-0012	81.089	-	101,759
Fossil Energy Research and Development	MZEP	University of Alaska	UAF-19-0012	81.089	-	22,185
Renewable Energy Research and Development	MCSR	University of Utah	NO. 10044393-NMT	81.087	-	482
Advanced Research Projects Agency-Energy	MMPR	University of New Mexico	0480NI-8746	81.135	-	112,938
Total Pass-through Department of Energy					-	300,519
Total Department of Energy					1,829,800	4,356,559
National Science Foundation						
Direct Awards						
Geosciences	SASR		EAR-1516680	47.050	-	315,369
Geosciences	SCCS		1917682	47.050	-	9,220
Geosciences	SCOR		1543454	47.050	-	45,495
Geosciences	SCPR		1644234	47.050	-	96,005
Geosciences	SCRL		1561084	47.050	-	21,693
Geosciences	SCTB		AGS-1546698	47.050	-	120,987
Geosciences	SCVD		1643952	47.050	-	70,025
Education and Human Resources	SCYC		DGE-1303051	47.076	60,491	469,875
Geosciences	SDGD		1661344	47.050	-	36,082
Geosciences	SDHC		1551587	47.050	-	64,982
Computer and Information Science	SEIC		1757945	47.070	-	91,114
Geosciences	SFCP		1557232	47.050	-	86,349
Geosciences	SGMW		1745015	47.050	-	69,649
Geosciences	SGSM		PLR-1304849	47.050	-	30,987
Integrative Activities	SHPE		1832813	47.083	-	43,318
Engineering	SIES		1757793	47.041	-	32,682
Geosciences	SIOZ		1650355	47.050	-	62,259
Geosciences	SISH		1643798	47.050	-	87,335
Geosciences	SKAQ		1740526	47.050	-	37,754
Geosciences	SKAR		EAR-1141768	47.050	-	(20)
Geosciences	SMAT		AST-1814011	47.050	-	26,272
Geosciences	SMBT		1852794	47.050	-	11,331
Geosciences	SOTE		1627109	47.050	-	12,730
Geosciences	SOTR		1758513	47.050	-	213,214
Geosciences	SPCG		1460534	47.050	-	(3,097)
Geosciences	SREB		PLR-1142083	47.050	-	10,695
Mathematical and Physical Sciences	SRIS		AST-1310800	47.049	6,813	27,047
Geosciences	SSMB2		EAR-1348076	47.050	-	11,870
Geosciences	SSTS		1720600	47.050	-	262,671
Engineering	SSTW		1607711	47.041	-	35,218
Geosciences	STEC		1824557	47.050	-	14,783
Education and Human Resources	STEM		DUE-1161334	47.076	20,276	81,561
Engineering	STIN		CMMI-1335199	47.041	-	73
Total Direct National Science Foundation					87,580	2,495,528

New Mexico Institute of Mining and Technology

Schedule of Expenditures of Federal Awards (Schedule 10 – continued)

For Year Ended June 30, 2019

Federal Grantor/Program Title	Award Number	Pass-Through Entity	Funding Agency Identification Number/Contract ID	Federal CDEFA Number	Amount Passed Through To Subrecipients	Total Federal Expenditures
Pass-through						
Geosciences	MEIG	Board of Regents of the Univ. of Wisconsin System	806K400	47.050	\$ -	\$ 16,676
Unknown	PMDG	Incorporated Research Institutions for Seismology	96-NMT-GEOICE	47.RD	-	(51)
Geosciences	PNGE	Incorporated Research Institutions for Seismology	SU-19-1001-04-NMT	47.050	-	2,627,787
Geosciences	PSAG	Incorporated Research Institutions for Seismology	04-NMT-SAGE	47.050	-	767,891
Geosciences	PSAG	Incorporated Research Institutions for Seismology	04-NMT-SAGE	47.050	-	573,487
Unknown	PSHA	Incorporated Research Institutions for Seismology	04-NMT-SAGE REBILL ACCOUNT	47.RD	-	5,230
Unknown	PGLS2	IRIS - American Recovery & Reinvestment Act	34-GSN	47.RD	-	99,535
Education and Human Resources	MHQS	Regents of New Mexico State University	Q02015	47.076	-	20,060
Geosciences	MSSP	The Trustees of Columbia University in the City of NY	51 (GG009393)/G11717	47.050	-	1,497
Geosciences	MSSP2	The Trustees of Columbia University in the City of NY	51B(GG009393)/G11717	47.050	-	45,364
Geosciences	MECB	UNAVCO, Inc.	S16-ICER1639709-S1	47.050	-	11,886
Geosciences	MGPS	UNAVCO, Inc.	S13-EAR1261833-S1	47.050	-	24,922
Office of Cyberinfrastructure	MENM	University of New Mexico	063026-8746-IIA-1301346	47.080	-	49,303
Geosciences	MPDM	University of Utah	10036241/PO0000175538	47.050	-	47,790
Total Pass-through National Science Foundation					-	4,291,377
Total National Science Foundation					87,580	6,786,905
National Aeronautics & Space Administration						
Direct Awards						
Science	YCLC		NNX17AG82G	43.001	-	84,668
Science	YFEL		NNX16AO19H	43.001	-	43,390
Science	YGDA		80NSSC18K0805	43.001	-	57,832
Science	YNEO		NNX15AG34G	43.001	-	145,306
Science	YNEO2		80NSSC19K0425	43.001	-	78,942
Total Direct National Aeronautics & Space Administration					-	410,138
Pass-through						
Mathematical and Physical Sciences	MNRK	National Radio Astronomy Observatory	362134	47.049	-	11,048
Mathematical and Physical Sciences	MNTC	National Radio Astronomy Observatory	PO 362032	47.049	-	25,721
Education	MEJL	Regents of New Mexico State University	Q02021	43.008	-	13,879
Education	MNGU	Regents of New Mexico State University	Q01923	43.008	-	163,819
Unknown	MPCC	Regents of New Mexico State University	Q02051	43.RD	-	17,691
Education	MSHM	Regents of New Mexico State University	Q01915	43.008	-	3,282
Education	MZGU	Regents of New Mexico State University	Q01923	43.008	-	9,364
Education	MZJL	Regents of New Mexico State University	Q02021	43.008	-	10,803
Geosciences	MWHE	The Trustees of Wheaton College	180801	47.050	-	77,353
Integrative Activities	MGRD	University of New Mexico	063049-8746	47.083	-	63,461
Geosciences	MVAN	Vanderbilt University	UNIV60300	47.050	-	63,909
Total Pass-through National Aeronautics & Space Administration					-	460,330
Total National Aeronautics & Space Administration					-	870,468
U.S. Department of The Interior						
Direct Awards						
Recreation and Visitor Services	RMWC		L15AC00125	15.225	-	806
SECURE Water Act-Research Agreements	RETS		R16AC00025	15.560	-	103,254
Water Desalination Research and Development	RGMD		R18AC00107	15.506	-	53,452
Natural Resource Stewardship	RLAS		P16AC01716	15.944	-	50,154
Unknown	RGMN		140P2118P0108	15.RD	-	18,344
Cooperative Ecosystem Studies Unit	RTWC		F18AC00957	15.678	-	6
Earthquake Hazards Program	UACD		G17AF00005	15.807	-	19,129
National Cooperative Geological Mapping	UGEM		G18AC00201	15.810	-	159,517
National Cooperative Geological Mapping	UGEQ		G17AC00280	15.810	-	5,575
National Ground Water Monitoring Network	UGSI		G17AC00182	15.980	-	(89)
National Geological & Geophysical Data Preservation	UNCG		G18AF00071	15.814	-	25,476
National Ground Water Monitoring Network	UNGW		G18AC00073	15.980	-	7,819
Total Direct U.S. Department of The Interior					-	443,443
Pass-through						
National Institute of Justice Research, Evaluation, & Development Project Grants	MSCN	South Dakota School of Mines & Technology	SDSMT-NMT 19-02	16.560	-	11,381
Total Pass-through U.S. Department of The Interior					-	11,381
Total U.S. Department of The Interior					-	454,824
Environmental Protection Agency						
Pass-through						
Superfund, State, Political Subdivision, & Indian Tribe Site-Specific Coop Agreements	MHAR	New Mexico Environmental Department	PO66700-0000028000	66.802	-	1,836
Water Pollution Control State, Interstate, & Tribal Program Support	MAAR	NM Environment Dept.	PO66700-0000031424	66.419	-	156,377
Total Environmental Protection Agency					-	158,213
Department of Health and Human Services						
Pass-through						
Biomedical Research & Research Training	RPRL	National Institutes of Health	1R15GM128071-01A1	93.859	-	81,036
Biomedical Research & Research Training	RSAR	National Institutes of Health	1R15GM124620-01A1	93.859	-	63,175
Biomedical Research & Research Training	MER28	Regents of New Mexico State University	Q01679	93.859	-	93,557
Biomedical Research & Research Training	MER29	Regents of New Mexico State University	Q01679	93.859	-	93,035
Biomedical Research & Research Training	MER31	Regents of New Mexico State University	Q01679	93.859	-	92,746
Biomedical Research & Research Training	MER33	Regents of New Mexico State University	Q01679	93.859	-	82,994
Biomedical Research & Research Training	MER34	Regents of New Mexico State University	Q01679	93.859	-	37,348
Biomedical Research & Research Training	MRRR	Regents of New Mexico State University	Q02068	93.859	-	45,232
Total Department of Health and Human Services					-	589,123
U.S. Department of Transportation						
Direct Awards						
Air Transportation Centers of Excellence	RCOE1		15-C-CST-NMT-01,TASK 303	20.109	-	50,000
Air Transportation Centers of Excellence	RCOE2		15-C-CST-NMT-03	20.109	-	(5)
Air Transportation Centers of Excellence	RCOE3		15-C-CST-NMT-05 TASK 299	20.109	-	(531)
Air Transportation Centers of Excellence	RCOE7		15-C-CST-NMT-07 TASK 377	20.109	-	28,377
Total U.S. Department of Transportation					-	77,841

New Mexico Institute of Mining and Technology
Schedule of Expenditures of Federal Awards (Schedule 10 – continued)
For Year Ended June 30, 2019

Federal Grantor/Program Title	Award Number	Pass-Through Entity	Funding Agency Identification Number/Contract ID	Federal CDFA Number	Amount Passed Through To Subrecipients	Total Federal Expenditures
U.S. Department of Education						
Pass-through						
Supporting Effective Instructional State Grants	MITQ5	NM Higher Education Department	17-950-12150-00006	84.367	\$ -	\$ 7,443
Total U.S. Department of Education					-	<u>7,443</u>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER					2,076,072	20,703,608
U.S. Department of Defense						
Direct Awards						
Research and Technical Assistance	FT2C		FA9453-18-3-0073	12.615	504,153	1,958,910
Unknown	ACST		W56HZV-14-C-0143	12.U01	-	(13)
Air Force Research Sciences Program	FSTO		FA9453-17-3-0072	12.800	137,313	1,781,894
Total Direct U.S. Department of Defense					<u>641,466</u>	<u>3,740,791</u>
Pass-through						
Unknown	TAOD	MSI STEM Research & Development Consortium	W911SR-14-2-0001-#0036	12.U02	-	17,511
Unknown	TPDP	MSI STEM Research & Development Consortium	W911SR-14-2-0001-#0034	12.U03	-	534
Unknown	TMIL	MSI STEM Research & Development Consortium	W911SR-14-2-0001-#0033	12.U04	-	1,885
Unknown	TWBB	MSI STEM Research & Development Consortium	W911SR-14-2-0001-#0035	12.U05	-	2,045
Scientific Research-Combating Weapons of Mass Destruction	MTME	University of New Mexico	023317-8746	12.351	-	1,222
Total Pass-through U.S. Department of Defense					-	<u>23,197</u>
Total U.S. Department of Defense					<u>641,466</u>	<u>3,763,988</u>
National Science Foundation						
Pass-through						
Education and Human Resources	MAMT	Regents of New Mexico State University	Q01617	47.076	-	14,422
Education and Human Resources	MAMT6	Regents of New Mexico State University	Q02003	47.076	-	11,884
Total Pass-through National Science Foundation					-	<u>26,306</u>
National Aeronautics & Space Administration						
Pass-through						
Education	MALP	Regents of New Mexico State University	Q01991	43.008	-	13,275
Education	MDMS	Regents of New Mexico State University	Q1990	43.008	-	10,414
Education	MRBD	Regents of New Mexico State University	Q01924	43.008	-	232
Total National Aeronautics & Space Administration					-	<u>23,921</u>
U.S. Department of Homeland Security						
Direct Awards						
State and Local Homeland Security National Training Program	RF10		EMW-2018-CA-APP-00048-S01	97.005	-	84,327
State and Local Homeland Security National Training Program	RT30		EMW-2011-CA-00094-S01	97.005	(5,695)	(2,607)
State and Local Homeland Security National Training Program	RT40		EMW-2012-CA-K00146-S01	97.005	-	(506)
State and Local Homeland Security National Training Program	RT70		EMW-2015-CA-00060	97.005	-	(60)
State and Local Homeland Security National Training Program	RT80		EMW-2016-CA-00058	97.005	-	1,222,157
State and Local Homeland Security National Training Program	RT90		EMW-2017-CA-00036	97.005	-	19,167,172
Total Direct U.S. Department of Homeland Security					<u>(5,695)</u>	<u>20,470,483</u>
Pass-through						
Emergency Management Performance Grants	MEMT3	New Mexico DHSEM	EMT-2017-EP-00002-S01	97.042	-	5,925
Hazard Mitigation Grant	MLND	New Mexico DHSEM	FEMA-4152-DR-NM-020	97.039	-	787
Total Pass-through U.S. Department of Homeland Security					-	<u>6,712</u>
Total U.S. Department of Homeland Security					<u>(5,695)</u>	<u>20,477,195</u>
TRIO CLUSTER						
U.S. Department of Education						
Direct Awards						
TRIO Upward Bound	RMSA		P047M180465	84.047	-	154,162
TRIO Upward Bound	RMSS		P047M170452	84.047	-	293,777
TRIO Upward Bound	RMST		P047M130504	84.047	-	127,996
Total Direct U.S. Department of Education					-	<u>575,935</u>
TOTAL TRIO CLUSTER					-	<u>575,935</u>
U.S. Department of Education						
Direct Awards						
Title I State Agency Program for Neglected & Delinquent Children & Youth	RTHE		P031S180079	84.031	-	175,998
Total Direct U.S. Department of Education					-	<u>175,998</u>
STUDENT FINANCIAL ASSISTANCE CLUSTER						
U.S. Department of Education						
Direct Awards						
Federal Pell Grant Program				84.063	-	2,089,630
Federal Supplemental Educational Opportunity Grants				84.007	-	202,298
Federal Work Study Program				84.033	-	180,065
Perkins Loan-CFDA has been Archived 2010				84.038	-	1,930,717
Federal Direct Student Loans				84.268	-	1,422,876
Federal Direct Student Loans				84.268	-	1,959,811
Federal Direct Student Loans				84.268	-	146,599
Federal Direct Student Loans				84.268	-	2,873
Total Direct U.S. Department of Education					-	<u>7,934,869</u>
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER					-	<u>7,934,869</u>
U.S. Department of Education						
Pass-through						
Unknown	MRRS	University of New Mexico	208089-8746	84.U06	-	7,094
Total Pass-through U.S. Department of Education					-	<u>7,094</u>
Total U.S. Department of Education					-	<u>8,693,896</u>

New Mexico Institute of Mining and Technology
Schedule of Expenditures of Federal Awards (Schedule 10 – continued)
For Year Ended June 30, 2019

<u>Federal Grantor/Program Title</u>	<u>Award Number</u>	<u>Pass-Through Entity</u>	<u>Funding Agency Identification Number/Contract ID</u>	<u>Federal CDFA Number</u>	<u>Amount Passed Through To Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Energy						
Pass-through						
Unknown	MORS	Oak Ridge Associated Universities	APPOINTMENT LETTER 08/01/201	81.U07	\$ -	\$ 9,687
Total U.S. Department of Energy					-	<u>9,687</u>
Department of Health and Human Services						
Pass-through						
Substance Abuse & Mental Health Services Projects of Regional & National Significance	MSPF	University of New Mexico	028354-08746	93.243	-	46,426
Total Department of Health and Human Services					-	<u>46,426</u>
U.S. Department of The Interior						
Direct Awards						
Natural Resource Stewardship	RCKT		P17AC00820 - P14AC00029	15,944	-	37,811
Natural Resource Stewardship	RNCK		P18AC00792 - P14AC00029	15,944	-	380,666
Total U.S. Department of The Interior					-	<u>418,477</u>
U.S. Department of Labor						
Direct Awards						
Mine Health & Safety Grant	RFMJ		MS-30311-17-55-R-35	17,600	-	35,047
Mine Health & Safety Grant	RFMK		MS-05064-18-55-R-35	17,600	-	141,824
Mine Health & Safety Grant	RFML		MS-03501-19-55-35	17,600	-	30,575
Occupational Safety & Health Susan Harwood Training Grants	RTEW		SH05048SH8	17,502	-	59,905
Total U.S. Department of Labor					-	<u>267,351</u>
Department of State						
Direct Awards						
Global Counterterrorism Programs	RPSP70		S-LMAQM-16-CA-1136	19,701	-	1,041,123
Total Department of State					-	<u>1,041,123</u>
Total Expenditures of Federal Awards					<u>\$ 2,711,843</u>	<u>\$ 55,471,978</u>

New Mexico Institute of Mining and Technology
Note to Schedule of Expenditures of Federal Awards
For Year Ended June 30, 2019

Note 1 – 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, 2019. 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 2 – 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 3 – Indirect Cost Rate

The Institute uses a facilities and administrative (indirect) rate that is negotiated with their cognizant agency, The Office of Naval Research and as such, the Institute has not elected to use the 10% de minimis cost rate.

Note 4 – 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, 2019, were \$1,596,184.

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

Board of Regents
New Mexico Institute of Mining and Technology
Socorro, New Mexico
and
Mr. Brian S. Colón, Esq.
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component unit of the New Mexico Institute of Mining and Technology (the "Institute") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Institute's basic financial statements, and have issued our report thereon dated October 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that are required to be reported per Section 12-6-5 NMSA 1978, that we have described in the Section 12-6-5 NMSA 1978 Findings Schedule, as items 2019-002 through 2019-009.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
October 30, 2019

Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Regents
New Mexico Institute of Mining and Technology
Socorro, New Mexico
and
Mr. Brian S. Colón, Esq.
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the New Mexico Institute of Mining and Technology (the Institute) 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, 2019. The Institute's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Institute's major federal programs based on our audit 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, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The Institute's response to the noncompliance finding 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be significant deficiency.

The Institute's response to the internal control over compliance 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.

The purpose of this report on internal control over 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.

Mess Adams LLP

Albuquerque, New Mexico
October 30, 2019

New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs
For Year Ended June 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

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

Identification of major federal programs and type of auditor’s report issued on compliance for major federal programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i>
Multiple	Student Financial Aid Cluster	Unmodified
12.800	Air Force Defense Research Science Program	Unmodified
12.615	Research and Technical Assistance	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 1,664,159

Auditee qualified as low-risk auditee? Yes No

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2019**

Section II – Financial Statement Findings

None reported

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2019**

Section III – Federal Award Findings and Questioned Costs

Finding 2019-001 – Significant Deficiency in Internal Controls over Compliance, Non-Compliance – Special Tests and Provisions – Enrollment Reporting

Federal Agency – Department of Education

Federal Programs –
CFDA 84.063 & 84.268 – Student Financial Assistance Cluster

Criteria – Under the Pell grant and ED loan programs per Pell, 34 CFR 690.83(b)(2), institutions must complete and return within 15 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway mailboxes sent by ED via NSLDS. The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website.

Condition/Context – For 20 of 25 students tested, the Institute (1) did not report status changes to NSLDS when required, or (2) did not report status changes to NSLDS in a timely manner. Specifically, the Institute:

- Did not report three students' graduated status because that student enrolled in a subsequent term.
- Did not report 17 students' status changes in a timely manner. The status changes for those students were reported between 81 and 236 days after their effective dates.

Cause – System issues caused the enrollment reporting roster file to export outdated data resulting in status changes being reported late.

Effect – New Mexico Institute of Mining and Technology is not in compliance with enrollment reporting guidelines required by the Department of Education.

Questioned Costs – None

Recommendation – New Mexico Institute of Mining and Technology should ensure their established control system is operating effectively in order to ensure all enrollment reports are prepared and submitted in accordance with the federal requirements.

Management Response – The enrollment reporting process is run every 60 days. The first file for Spring 2019 was processed and submitted on January 11, 2019 to the National Student Loan Data System (NSLDS). This file reported the final updated status of students from Fall 2018 semester. This report processed correctly and the status of students was reported accurately.

Running the process in Banner was producing a file identified as "sfrsubm.dat" which the Financial Aid staff emailed to themselves for the purpose of submitting to NSLDS. After the January process, the file produced changed the identification of the file to "sfrsscr". The email process continued to send the original "sfrsubm.dat" to Financial Aid to submit, resulting in the same file (no updates) being submitted on March 6 and May 5th, 2019.

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2019**

Section III – Federal Award Findings and Questioned Costs

Finding 2019-001 – Significant Deficiency in Internal Controls over Compliance, Non-Compliance – Special Tests and Provisions – Enrollment Reporting (continued)

The error was discovered in July when the submission was rejected because the report date, a field in the submission, was over six months old. Upon discovery of the error, Ellucian was contacted to determine the cause of the name change. Ellucian was unable to provide an answer. Financial Aid personnel modified the procedure that sends the email so that it pulled the newly named file correctly.

The corrective action applied by ITC is working and NMT is continuing to monitor the files for accuracy. Additionally, NMT has contracted with the National Student Loan Clearinghouse (NSLC) to become our third party servicer for enrollment reporting. NSLC will test the files prior to submitting them to NSLDS, providing an additional level of oversight. Reporting through NSLC will also be done on a monthly, versus a bi-monthly, basis. This issue has been addressed as of August 2019.

Person Responsible: Financial Aid Director, and Director of ITC

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2018**

Section IV – Other Matter Findings as Required by Section 12-6-5 NMSA 1978

Finding 2019-002 – Other Non-Compliance – Reporting

Condition: The required quarter 1 interim performance report for the Air Force Defense Sciences Program due on October 30, 2018 was filed on July 23, 2019.

Criteria: Per review of grant agreement FA9453-17-3-0072 New Mexico Institute of Mining and Technology is required to file quarterly interim performance reports due 30 days after the quarter ends.

Effect: The New Mexico Institute of Mining and Technology was late with its with reporting requirements as outlined in the grant agreement.

Cause: Oversight of program personnel with respect to reporting requirements resulted in the lack of compliance with reporting requirements.

Recommendation: New Mexico Institute of Mining and Technology should ensure their established control system is operating effectively in order to ensure all reports are prepared and submitted in accordance with the reporting timelines.

Current Status/Plan of Action: The Principle Investigator for the agreement recommends the following corrective actions: (1) Create an electronic calendar reminder for the end of each fiscal quarter to draft the Interim Report for that period; (2) Ensure the final draft of the Interim Report is submitted for the required OPSEC review by the 15th of the month following the end of the fiscal quarter; (3) Submit each Interim Report on or before the 30th of the month following the end of the fiscal quarter. This issue has been addressed as of July 23, 2019.

Responsible Person: Air Force Defense Research Sciences Program Investigator

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2018**

Section IV – Other Matter Findings as Required by Section 12-6-5 NMSA 1978

Finding 2019-003 – Other Non-Compliance – Subrecipient Monitoring

Condition: Per review of the subrecipient file for ABQid we noted there was no documentation that a risk assessment had been performed.

Criteria: Under Title 2 U.S. Code of Federal Regulations Part 200.331(b), all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Effect: The New Mexico Institute of Mining and Technology did not document compliance with Federal requirements as outlined in 2 CFR 200 Section 200.331.

Cause: Oversight of program personnel with respect to subrecipient requirements resulted in the lack documentation of compliance with subrecipient requirements.

Recommendation: New Mexico Institute of Mining and Technology should ensure their established control system is operating effectively in order to ensure all subrecipient risk assessments performed are documented in accordance with the federal requirements.

Current Status/Plan of Action: The Sponsored Projects Administrative Office will scan all preaward documentation so that an alternative to paper copies will be available. This issue has been addressed as of July 1, 2019.

Responsible Person: Director of Sponsored Projects Administration

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2018**

Section IV – Other Matter Findings as Required by Section 12-6-5 NMSA 1978

Finding 2019-004 – Other Non-Compliance – Educational Retirement Act

Condition: During our test work over the Educational Retirement Act we noted the following:

- The January 2019 contribution was over remitted by \$34
- The March 2019 contribution was over remitted by \$210
- The July 2018 payment was submitted 1 day late
- New Mexico Institute of Mining and Technology in total had under remitted contributions of \$4,663 to the Educational Retirement Board during fiscal year 2019

Criteria: New Mexico Institute of Mining and Technology is required to comply with the requirements set forth in the New Mexico Educational Retirement Act in Sections 22-11-1 to 22-11-55 NMSA 1978.

Effect: The New Mexico Institute of Mining and Technology payments under the New Mexico Educational Retirement Act were not accurate by the amounts noted above.

Cause: Oversight of New Mexico Institute of Mining and Technology's personnel.

Recommendation: New Mexico Institute of Mining and Technology should ensure their established control system is operating effectively in order to ensure they follow all guidelines set forth in the New Mexico Educational Retirement Act.

Current Status/Plan of Action: All errors found were corrected during the fiscal year. Some of the errors were due to personnel turnover and employee retirement category changes mid-month. Overall the errors are less than 0.001% of the total contributions.

The reconciliation has moved to an employee that better matches the job requirements. This employee will review the employee data forms for changes in the employee retirement category and perform the monthly reconciliation. The Payroll Manager will oversee and review the preparation and reconciliation of the remittance to New Mexico Educational Retirement Board. The Controller will continue to review the general ledger and report any discrepancies to the Payroll Manager for reconciliation. This issue has been addressed as of August 30, 2019.

Responsible Person: Controller

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2018**

Section IV – Other Matter Findings as Required by Section 12-6-5 NMSA 1978

Finding 2019-005 – Other Non-Compliance – Fringe Benefits

Condition: During our test work over fringe benefits we noted the following issues with the housing benefits for the employees tested:

- Per review of the employment contracts there was no indication if living in school provided housing was a condition of employment or was not a condition of employment.
- New Mexico Institute of Mining and Technology was unable to provide an employer agreement for this housing benefit and was unable to provide approval for the employee to receive the housing benefit.
- New Mexico Institute of Mining and Technology was unable to determine an amount associated with the housing benefit the employees selected.

Criteria: New Mexico Institute of Mining and Technology is required to comply with the IRS Employee Income Tax Compliance Issues requirements as set forth in NMAC 2.2.2.10 H (2).

Effect: The New Mexico Institute of Mining and Technology does not have proper documentation for compliance with IRS Employee Income Tax Compliance Issues requirements as set forth in NMAC 2.2.2.10 H (2).

Cause: Oversight of New Mexico Institute of Mining and Technology's personnel may have contributed to this finding.

Recommendation: We recommend that New Mexico Institute of Mining and Technology amend the employment contract to include whether or whether not living in school provided housing is a condition of employment as well as implementing policies and procedures to track the housing benefits associated with each employee if it is determined that the benefit is taxable to the employee.

Current Status/Plan of Action: In the area of Residential Life the job announcement and position descriptions contain the requirement to live in campus housing. Revised personnel action forms (PAFs) are in the process of being updated for those employees and include the recommended language in the remark area that "There is a requirement to live in student housing that is a component of the position due to that employee being on-call and available to respond as an essential job function".

EMRTC

The PAFs for the EMRTC employees that are assigned or being deployed frequently to Playas as part of the essential job functions of that position will have that indicated in the job announcement if known at the time of posting and/or through the PAF if known at the time of hire. A memorandum to the PAF will be prepared and signed by employee and supervisor to be included in the personnel file if assigned any time after the time of hire. This will be implemented by June 30, 2020.

Responsible Person: Director of Human Resources

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2018**

Section IV – Other Matter Findings as Required by Section 12-6-5 NMSA 1978

Finding 2019-006 Material Weakness (At the Individual Component Unit Level – University Research Park Corporation) – Intangible Assets Tracking and Analysis Process

Criteria – In order to provide an accurate accounting in compliance with U.S. generally accepted accounting principles, the intangible assets (patents) of the Corporation should be tracked throughout the year with adjustments recorded for additional capitalized patent costs, write-offs for impairment and amortization expense. The schedule of patent activity prepared by accounting and finance staff should be approved by supervisory personnel and supported with proper documentation.

Condition and context – During our fieldwork, we noted that the schedule used to track patent activity had not been updated for current year activity. In addition, management did not perform their analysis of impairment related to the patents. There were no adjustments to the patent asset, accumulated amortization or amortization expense accounts for the year. After the schedule was updated by management, adjustments totaling \$35,733 to capitalize additional patent costs, \$42,881 to recognized the loss due to impairments, and \$7,260 in accumulated amortization and amortization expense were required.

Cause – The accounting policies, procedures, and controls to ensure a robust internal control structure governing the tracking of patents, amortization, and analysis of impairment are not functioning as intended.

Effect – The Corporation's net intangible assets were understated by \$14,408 and expenses understated by same amount prior to adjustment

Recommendation – We recommend that the Corporation's accounting policies, procedures and controls be re-examined and improvements should be made to ensure patents are tracked (at least monthly) during the year, reviewed by appropriate personnel, and management's analysis of impairment be prepared within one month after the Corporation's year-end to ensure patent asset and related accounts are accurately and timely maintained and reconciled.

Management response – The patent tracking and amortization process is current for fiscal year 2019. The patent activity beginning October 21, 2019 will be tracked and recorded monthly. Management will ensure that the accounting policies and procedures are followed for the tracking of assets each month.

Responsible Person: Chief Operating Officer, Executive Director, and Board President

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2018**

Section IV – Other Matter Findings as Required by Section 12-6-5 NMSA 1978

Finding 2019-007 – Material Weakness (At the Individual Component Unit Level – University Research Park Corporation) – Check Writing Process

Criteria – In order to provide an accurate accounting, checks should be dated in the general ledger when they are approved for payment, signed, and ready to be sent.

Condition and context – During our fieldwork, we noted that checks totaling \$89,048 were recorded in June 2019, but were not approved, signed or mailed until a significant time after the Corporation's year end (July and August 2019).

Cause – The accounting policies, procedures, and controls to ensure a robust internal control structure governing the check writing and approval processes are not functioning as intended.

Effect – The Corporation's cash balances and accounts payable were understated by \$89,048 prior to adjustment.

Recommendation – We recommend that the Corporation's accounting policies, procedures and controls be re-examined and improvements should be made to ensure checks are recorded with the appropriate date and only after proper approval and signatures are obtained.

Management response – The process of reviewing and tracking disbursements, including when to recognize item appropriately as a payable, will be implemented by June 30, 2020.

Responsible Person: Chief Operating Officer, Executive Director, and Board President

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2018**

Section IV – Other Matter Findings as Required by Section 12-6-5 NMSA 1978

Finding 2019-008 – Significant Deficiency (At the Individual Component Level – University Research Park Corporation) – Notes Receivable Tracking and Analysis Process

Criteria – In order to provide an accurate accounting, the notes receivable of the Corporation should be tracked throughout the year with adjustments recorded for principal and interest payments, to properly present current and long-term portions of the note balances, and to record a reserve for any doubtful accounts. The schedule of notes receivable and related adjustments prepared by accounting and finance staff should be approved by supervisory personnel and supported with proper documentation to ensure accuracy.

Condition and context – During our fieldwork, we noted that the schedule used to track notes receivable balances had not been properly updated for current year activity or to reflect the current and long-term portions of the notes receivable balances. In addition, management did not perform an analysis of whether a reserve for doubtful accounts should be recorded. There were no adjustments made for accrued interest income and the entire payment received, consisting of both principal and interest, was incorrectly applied to the principal balances of the notes receivable. After the schedule was corrected by management, adjustments of \$26,809 to accrue interest income and \$29,718 to recognize interest earned and received and to properly reflect the principal balances of the notes receivable were required. In addition, a reclassification of \$113,012 was necessary to properly state current and long-term notes receivable balances for financial statement presentation purposes.

Cause – The accounting policies, procedures, and controls to ensure a robust internal control structure governing the tracking of notes receivable, related interest, and a possible reserve for doubtful accounts are not functioning as intended. **Effect** – The Corporation's assets and interest income were understated by \$56,527, current assets were understated and long term assets were overstated by \$113,012, prior to adjustments.

Recommendation – We recommend that the Corporation's accounting policies, procedures and controls be re-examined and improvements should be made to ensure the notes receivable schedule is updated properly during the year, includes the current and long-term portion of notes receivable, are reviewed timely by appropriate personnel, and management's analysis of a reserve for doubtful accounts is prepared within one month after the Corporation's year-end to ensure notes receivable, interest income and related accounts are accurately and timely maintained and reconciled.

Management response – Management concurs and the accounting for notes receivable will be added to the accounting procedures by June 30, 2020.

Responsible Person: Chief Operating Officer, Executive Director, and Board President

**New Mexico Institute of Mining and Technology
Schedule of Findings and Questioned Costs (continued)
For Year Ended June 30, 2018**

Section IV – Other Matter Findings as Required by Section 12-6-5 NMSA 1978

Finding 2019-009 – Significant Deficiency (At the Individual Component Level – University Research Park Corporation) – Accounts Payable Process

Criteria – In order to provide an accurate accounting in compliance with U.S. generally accepted accounting principles, the Corporation's records should be kept open for a reasonable period of time after year-end to ensure vendor invoices and other items that represent a liability at year end, but are not received until after year-end, are recorded in the general ledger in the proper fiscal year.

Condition and context – During our testing of liabilities, we noted vendor invoices totaling \$4,940, related to the fiscal year ended June 30, 2019, were recorded to the improper fiscal year.

Cause – The accounting policies, procedures, and controls to ensure a robust internal control structure governing the completeness of accounts payable are not functioning as intended.

Effect – The Corporation's accounts payable balance and expenses were understated by \$4,940.

Recommendation – We recommend that the Corporation's accounting policies, procedures and controls be re-examined and improvements should be made to ensure vendor invoices received after year-end, are recorded in the appropriate period.

Management response – Management concurs and will delay closing the fiscal year to ensure liabilities are recorded properly. This will be implemented by June 30, 2020.

Responsible Person: Chief Operating Officer, Executive Director, and Board President

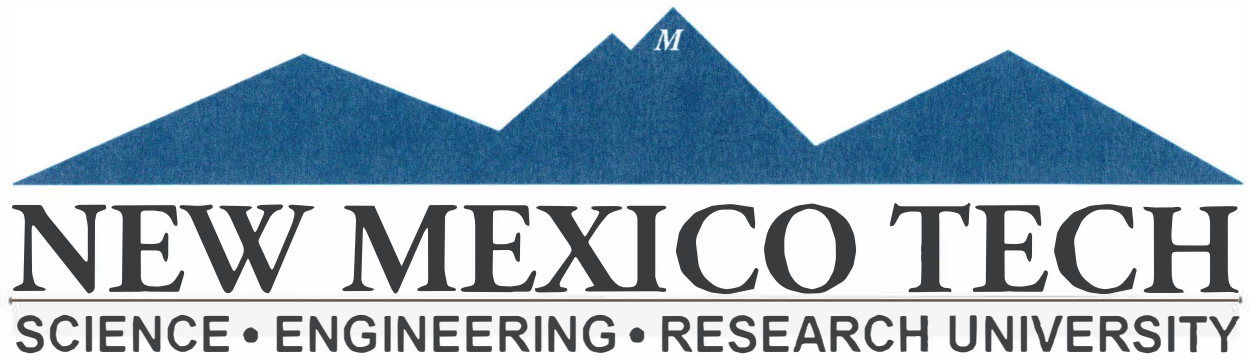
New Mexico Institute of Mining and Technology
Summary Schedule of Prior Audit Findings
For Year Ended June 30, 2019

Prior Findings

Status

Findings – Other Matter Finding as Required by 12-6-5 NMSA 1978
2018-001 Reporting –
(Findings that do not rise to the level of significant deficiency)

Resolved



**Corrective Action Plan
Year Ended June 30, 2019**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	<p>The enrollment reporting process is run every 60 days. The first file for Spring 2019 was processed and submitted on January 11, 2019 to the National Student Loan Data System (NSLDS). This file reported the final updated status of students from Fall 2018 semester. This report processed correctly and the status of students was reported accurately. Running the process in Banner was producing a file identified as "sfrsubm.dat" which the Financial Aid staff emailed to themselves for the purpose of submitting to NSLDS. After the January process, the file produced changed the identification of the file to "sfrscr". The email process continued to send the original "sfrsubm.dat" to Financial Aid to submit, resulting in the same file (no updates) being submitted on March 6 and May 5th, 2019. The error was discovered in July when the submission was rejected because the report date, a field in the submission, was over six months old. Upon discovery of the error, Ellucian was contacted to determine the cause of the name change. Ellucian was unable to provide an answer. Financial Aid personnel modified the procedure that sends the email so that it pulled the newly named file correctly. The corrective action applied by ITC is working and NMT is continuing to monitor the files for accuracy. Additionally, NMT has contracted with the National Student Loan Clearinghouse (NSLC) to become our third party servicer for enrollment reporting. NSLC will test the files prior to submitting them to NSLDS, providing an additional level of oversight. Reporting through NSLC will also be done on a monthly, versus a bi-monthly, basis.</p>	August 2019	Financial Aid Director and Director of ITC
2019-002	<p>The required quarter 1 interim performance report for the Air Force Defense Sciences Program due on October 30,</p>	July 23, 2019	Air Force Defense Research Sciences

	2018 was filed on July 23, 2019. The Principle Investigator for the agreement recommends the following corrective actions: (1) Create an electronic calendar reminder for the end of each fiscal quarter to draft the Interim Report for that period; (2) Ensure the final draft of the Interim Report is submitted for the required OPSEC review by the 15th of the month following the end of the fiscal quarter; (3) Submit each Interim Report on or before the 30th of the month following the end of the fiscal quarter.		Program Investigator
2019-003	Oversight of program personnel with respect to subrecipient requirements resulted in the lack documentation of compliance with subrecipient requirements. The Sponsored Projects Administrative Office will scan all preaward documentation so that an alternative to paper copies will be available.	July 1, 2019	Director of Sponsored Projects Administration
2019-004	New Mexico Institute of Mining and Technology is required to comply with the requirements set forth in the New Mexico Educational Retirement Act in Sections 22-11-1 to 22-11-55 NMSA 1978. The New Mexico Institute of Mining and Technology payments under the New Mexico Educational Retirement Act were not accurate by the amounts noted above. All errors found were corrected during the fiscal year. Some of the errors were due to personnel turnover and employee retirement category changes mid-month. Overall the errors are less than 0.001% of the total contributions. The reconciliation has moved to an employee that better matches the job requirements. This employee will review the employee data forms for changes in the employee retirement category and perform the monthly reconciliation. The Payroll Manager will oversee and review the preparation and reconciliation of the remittance to New Mexico Educational Retirement Board. The Controller will continue to review the general ledger and report any discrepancies to the Payroll Manager for reconciliation.	August 30, 2019	Controller
2019-005	In the area of Residential Life the job announcement and position descriptions contain the requirement to live in campus housing. Revised personal action forms (PAFs) are in the process of being updated for those employees and include the recommended language in the remark area that "There is a requirement to live in student housing that is a component of the position due to that employee being on-call and available to respond as an essential job function". The PAFs for the EMRTC employees that are assigned or being deployed frequently to Playas as part of the essential job functions of that position will have that indicated in the	June 30, 2020	Director of Human Resources

	job announcement if known at the time of posting and/or through the PAF if known at the time of hire. A memorandum to the PAF will be prepared and signed by employee and supervisor to be included in the personnel file if assigned any time after the time of hire.		
2019-006	The patent tracking and amortization process is current for fiscal year 2019. The patent activity going forward will be tracked and recorded monthly. Management will ensure that the accounting policies and procedures are followed for the tracking of assets.	October 21, 2019	Chief Operating Officer and President
2019-007	In order to provide an accurate accounting, checks should be dated in the general ledger when they are approved for payment, signed, and ready to be sent. The process of reviewing and tracking prior year disbursements in the current year as a payable will be implemented.	June 30, 2020	Chief Operating Officer and President
2019-008	The Corporation's accounting policies, procedures and controls be re-examined and improvements should be made to ensure the notes receivable schedule is updated properly during the year, includes the current and long-term portion of notes receivable, are reviewed timely by appropriate personnel, and management's analysis of a reserve for doubtful accounts is prepared within one month after the Corporation's year-end to ensure notes receivable, interest income and related accounts are accurately and timely maintained and reconciled. Management concurs and the accounting for notes receivable has been added to the accounting procedures. The notes receivable is now properly recorded.	June 30, 2020	Chief Operating Officer and President
2019-009	The Corporation's accounting policies, procedures and controls be re-examined and improvements should be made to ensure vendor invoices received after year-end, are recorded in the appropriate period. Management concurs and will delay closing the fiscal year to ensure liabilities are recorded properly.	June 30, 2020	Chief Operating Officer and President

Document prepared by:

Melissa Tull

Date 12/3/19

Melissa Tull
 Controller
 New Mexico Institute of Mining and Technology

New Mexico Institute of Mining and Technology
Summary of Auditor's Results (As Required by 2.2.2.10 (L)(1) – NMAC)
For Year Ended June 30, 2019

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes No

Yes None reported

Compliance and other matters noted?

Yes No

New Mexico Institute of Mining and Technology
Exit Conference
For Year Ended June 30, 2019

An exit conference was held on October 23, 2019, for the New Mexico Institute of Mining and Technology and all component units with the following in attendance:

Jerry Armijo	Regent, Secretary/Treasurer
Dr. Stephen Wells	President
Dr. Cleve McDaniel	Vice President for Administration and Finance
David Landrum	Associate Vice President for Administration and Finance/ Budget Director
Emma Aafloy	Associate Director of Budget and Analysis
Gayle Bailey	Director of Sponsored Projects
Angie Gonzales	Associate Director of Human Resources
Carrie Marsyla	Associate Director of Sponsored Projects
Kimela Miller	Chief Procurement Officer
JoAnn Salome	Director of Human Resources
Melissa Tull	Controller
Jenny Ma	Accountant

For Moss Adams LLP

Lisa Todd	Partner
Corrine Zajac-Clarkson	Senior Manager
Chris Noyes	Manager
Michael McGinley	Manager
Kevin Jankowski	Senior

The financial statements were prepared by Moss Adams LLP, with the assistance of the Institute. The Institute is responsible for the contents of these financial statements.