

NEW MEXICO TECH
SCIENCE • ENGINEERING • RESEARCH UNIVERSITY

AUDIT REPORT 2018
Year ending June 30, 2018



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New Mexico Institute of Mining and Technology
Official Roster
June 30, 2018

Board of Regents

Ex Officio Members

The Honorable Susana Martinez	Governor of the State of New Mexico
Dr. Barbara Damron	Cabinet Secretary, Higher Education Department

Appointed Members

Deborah Peacock	President
Jerry A. Armijo	Secretary-Treasurer
David Gonzales	Member
Donald Monette	Member
Emily Silva	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
Charles C. Hendrickson	Associate Vice President/ Budget Director for Administration and Finance
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. Wayne A. Johnson
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 the New Mexico Institute of Mining and Technology (the Institute), as of and for the year ended June 30, 2018, 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 opinion.

Opinion

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, 2018, 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

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, effective July 1, 2017, the Institute adopted Governmental Accounting Standards Board (GASB) *Statement No. 80, Blending Requirements for Certain Component Units – An amendment to GASB Statement No. 14*, resulting in retroactively adjusting the beginning net position presented. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, effective July 1, 2017, the Institute adopted Governmental Accounting Standards Board (GASB) *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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, 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 purpose of additional analysis and are not a required part of the basic financial statements.

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 powers 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 powers 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018, 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 25, 2018

New Mexico Institute of Mining and Technology

Management's Discussion and Analysis

Year Ended June 30, 2018

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, 2018. Also included for comparison purposes is a 2017 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, 2018.

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. This statement adds a criterion that requires the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion in the Statement resulted in the blending of one component unit of the Institute that is previously presented discretely; New Mexico Tech University Research Park Corporation. Changes were applied retroactively by adjusting the beginning net position presented. Adopting this statement resulted in an increase of the beginning net position as of July 1, 2017 of \$1.9 million.

New Mexico Institute of Mining and Technology
Management's Discussion and Analysis (continued)
Year Ended June 30, 2018

NM Tech also adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB. Adopting this statement resulted in a decrease of the beginning net position as of July 1, 2017 of \$14.0 million. See note 2(A) for other impacts relating to the adoption of this statement.

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

	Balance June 30, 2018 (In Thousands)	Balance June 30, 2017 (In Thousands)	Difference	Percentage Change
Current assets	\$ 80,144	\$ 79,649	\$ 495	0.6%
Capital assets, net	157,942	160,786	(2,844)	-1.8%
Other noncurrent assets	67,035	62,559	4,476	7.2%
Total assets	<u>305,121</u>	<u>302,994</u>	<u>2,127</u>	<u>0.7%</u>
Deferred outflows-pension related	<u>52,186</u>	<u>13,365</u>	<u>38,821</u>	<u>290.5%</u>
Total assets and deferred outflows-pension related	<u>\$ 357,307</u>	<u>\$ 316,359</u>	<u>\$ 40,947</u>	<u>12.9%</u>
Current liabilities	\$ 11,548	\$ 12,562	\$ (1,014)	-8.1%
Non-current liabilities	<u>189,579</u>	<u>124,013</u>	<u>65,566</u>	<u>52.9%</u>
Total liabilities	<u>201,127</u>	<u>136,575</u>	<u>64,552</u>	<u>47.3%</u>
Deferred inflows-pension related	6,381	2,792	3,589	128.6%
Net position				
Capital assets, net of related debt	147,702	149,662	(1,960)	-1.3%
Restricted net position	43,254	56,134	(12,880)	-22.9%
Unrestricted net position	<u>(41,157)</u>	<u>(28,804)</u>	<u>(12,353)</u>	<u>42.9%</u>
Total net position	<u>149,799</u>	<u>176,992</u>	<u>(27,193)</u>	<u>-15.4%</u>
Total assets, liabilities, deferred inflows and net position	<u>\$ 357,307</u>	<u>\$ 316,359</u>	<u>\$ 40,948</u>	<u>12.9%</u>

Total assets decreased \$2.1 million or 0.7 percent. Several categories in the asset classification changed during the fiscal year.

- Current assets increased \$495 thousand, or 0.6 percent, due to normal operating activities.
- Capital assets decreased \$2.8 million or 1.8 percent. This is primarily due to fewer capital assets acquired throughout the fiscal year net of the recorded depreciation.

Total liabilities increased \$64.5 million or 47.3 percent. The net pension liability increase by \$48.6 million and liabilities related to OPEB increased by \$17.1 million due to the implementation of GASB Statement No. 75.

New Mexico Institute of Mining and Technology
Management’s Discussion and Analysis (continued)
Year Ended June 30, 2018

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 \$2.0 million. No large items were capitalized during the year.
- Restricted net position: This category is subdivided into non-expendable and expendable. The non-expendable is restricted assets earmarked for investment purposes only, such as endowments. Expendable restricted assets are available for expenditures restricted by the creditor, donor or other external source such as grants and contracts. The restricted net position category increased by \$9.7 million.
- Unrestricted net position: This category reports the assets available to New Mexico Tech for any lawful purpose. These funds decreased \$15.5 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, 2018. 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 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, 2018 <u>(In Thousands)</u>	June 30, 2017 <u>(In Thousands)</u>	<u>Difference</u>	<u>Percentage</u>
Operating revenue	\$ 88,483	\$ 88,606	\$ (123)	-0.1%
Operating expense	<u>159,762</u>	<u>143,239</u>	<u>16,523</u>	<u>0.0%</u>
Operating loss	(71,279)	(54,633)	(16,646)	30.5%
Non-operating revenue	<u>39,244</u>	<u>38,252</u>	<u>992</u>	<u>2.6%</u>
Loss before other revenues and expenses	(32,035)	(16,381)	(15,654)	95.6%
Other revenues and capital items	<u>16,963</u>	<u>25,753</u>	<u>(8,790)</u>	<u>-34.1%</u>
Increase (decrease) in net position	<u>\$ (15,072)</u>	<u>\$ 9,372</u>	<u>\$ (24,443)</u>	<u>61.4%</u>

New Mexico Institute of Mining and Technology Management's Discussion and Analysis (continued) Year Ended June 30, 2018

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

Total operating revenue decreased \$123 thousand. Year to year changes of the individual components included within the total operating revenue are:

- Net tuition and fee revenue decreased \$506 thousand.
- Grants and contracts revenue increased \$2.3 million.
- All other operating income decreased \$1.9 million.

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

- Total operating expenses increased \$16.5 million.
- Research and other sponsored expenditures increased \$2.2 million (included in total operating expenses).

State appropriations, including Instruction and General (I&G) and Research and Public Service Projects (RPSP), were \$35.5 million compared to last year's \$35.9 million.

The net operating loss for this fiscal year is \$71.3 million compared to last year's net operating loss of \$54.6 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 \$992 thousand compared to last year. Other revenues and capital items decreased \$8.8 million compared to last year. Capital appropriations decreased \$8.7 million mainly due to state funds received in the prior year for the new Chemistry building. State land grant and permanent fund distributions and income increased slightly: \$300 thousand in the current year.

New Mexico Institute of Mining and Technology

Management's Discussion and Analysis (continued)

Year Ended June 30, 2018

Statement of Cash Flows

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

- Cash flows from operating activities;
- Cash flows from 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 component unit, but it's 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 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 also presented in accordance with state auditor standards. Unlike the unrestricted current fund, the activity for restricted current funds does not coincide with the New Mexico Tech fiscal year.

Capital Assets

The construction of the new Data Center was completed in the spring of 2018. This \$2.7 million project was funded by \$2.0 million of 2015 Severance Tax Bonds and NMT funding.

The planning stage of the renovation of Jones Hall has been completed and the project is now in the review of bids stage. 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. The estimated cost of this renovation is \$9.1 million.

New Mexico Institute of Mining and Technology
Management’s Discussion and Analysis (continued)
Year Ended June 30, 2018

The planning and/or design construction phase of the renovation of the President’s residence that will also include a new University house is complete. Options for moving forward are now being considered.

New Mexico Tech has also requested a 2018 General Obligation Bond project that includes a major renovation of Brown Hall and significant upgrades of several campus parking lots and lighting systems. This request is included as a portion of a bond measure on the New Mexico 2018 statewide ballot.

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 \$10.5 million.

Currently Known Facts

Enrollment

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

The Fall 2017 new students and transfers enrollment is 322 compared to 377 last year. Additionally, total enrollment has decreased slightly from Fall 2016 to Fall 2017 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>
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%
% Change	-4.56%	-5.71%	-5.13%	

As the chart above demonstrates, head count and credit hours have decreased from the 2012-13 school year; there was also a decline from the 2016-17 school year. The end-of-course completion rates continue to hover around 96-98%. 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, 2018

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 was hired for the current school year replacing many vacant positions that were on hold because of past budget reductions.

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

Higher Education Funding Formula

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

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 2018 undergraduate enrollment of New Mexico students is 88.8 percent.

Research

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

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

**New Mexico Institute of Mining and Technology
Management's Discussion and Analysis (continued)
Year Ended June 30, 2018**

New Mexico Tech's Incurred Cost Audit report shows that externally funded research activity has declined significantly since FY 2011. However, the trend from FY 2016 to FY 2018 has been positive with an increase of nearly 16% between these years. Federal research amounts are indicated below (in thousands):

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.

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, but the phased project has been tapering down, and its expenditures decreased from a high of \$14.3 million in FY 2016 to \$5.1 million in FY 2018.

The Energetic Materials Research and Testing Center (EMRTC) research programs increased from \$28 million in FY 2017 to \$29 million in FY 2018. The \$22 million training program with Homeland Security was renewed for a two-year period, and went into effect September 2017. It is a premier training program for first responders in the United States.

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 just recently awarded funding to continue supporting US seismology for the next five years, with a \$25 million sub award to NMT to cover the next five years.

New Mexico Institute of Mining and Technology

Management's Discussion and Analysis (continued)

Year Ended June 30, 2018

Economic Outlook

The economic outlook for New Mexico Tech continues to be closely monitored by the administration. Decisions by the NMT administration are dependent on actions taken by the state and federal government. Proactive financial and budget actions were taken early in the global economic downturn to reduce budgets. 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. The New Mexico Tech staff has been very cooperative in managing their departmental budgets. The staff has picked up additional duties to continue to provide a quality educational experience for our students through ongoing student support services and facilities.

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

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

The New Mexico Tech Admissions Office continues to increase its recruitment efforts in states such as Texas, California and Arizona. These states are ripe for recruitment because their universities are at or near full capacity, and they have a large Hispanic population. New Mexico Tech continues to reach its goal of being recognized as a Hispanic Serving Institution. By qualifying as a Hispanic Serving Institution, additional research and grants, plus other funding opportunities, are available to New Mexico Tech.

Total entering first-time full-time freshmen for the school year 2017-18 were 240 compared to 301 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, 2018

	Institute	Component Unit Foundation
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 43,624,020	\$ 1,790,792
Short-term investments	18,309,319	19,470,488
Contract and grant billed and unbilled receivables	12,526,975	-
Student accounts receivable, net of allowance for doubtful accounts	338,472	-
Due from state agencies and other accounts receivables	1,934,419	-
Inventories	1,273,801	-
Other assets	2,136,569	649,961
Total current assets	80,143,575	21,911,241
NONCURRENT ASSETS		
Restricted cash and cash equivalents	49,542	-
Endowment investments	47,712,017	-
Other long-term investments	17,708,282	3,915,847
Capital assets, net of accumulated depreciation	157,942,213	1,508,465
Other non-current assets	1,564,875	741,920
Total noncurrent assets	224,976,929	6,166,232
Total assets	305,120,504	28,077,473
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	47,377,335	-
Related to other post employment benefits	4,808,364	-
Total deferred outflows of resources	\$ 52,185,699	\$ -

New Mexico Institute of Mining and Technology
Statement of Net Position (continued)
As of June 30, 2018

	Institute	Component Unit Foundation
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 6,136,581	\$ 5,502
Accrued compensated absences, current portion	4,329,090	-
Due to primary government	-	1,386,734
Deposits	164,285	-
Unearned revenue	917,557	-
Total current liabilities	<u>11,547,513</u>	<u>1,392,236</u>
NONCURRENT LIABILITIES		
Accrued compensated absences, net of current portion	3,456,968	-
Bonds payable	10,543,337	-
Net pension liability	142,834,689	-
Net OPEB liability	27,309,376	-
Other noncurrent liabilities	5,434,223	17,006
Total noncurrent liabilities	<u>189,578,593</u>	<u>17,006</u>
Total liabilities	<u>201,126,106</u>	<u>1,409,242</u>
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	3,375,206	-
Related to other post employment benefits	3,006,012	-
Total deferred inflows of resources	<u>6,381,218</u>	<u>-</u>
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	147,702,155	1,508,465
RESTRICTED FOR		
Nonexpendable		
Endowments and all other nonexpendable	54,295,878	3,915,847
Inventory	1,273,801	-
Expendable		
Scholarships, research, instruction and other	8,905,489	2,769,814
Other postemployment benefits	(27,309,376)	-
Employee benefit trust	4,304,655	-
Loans	1,783,411	-
UNRESTRICTED NET (DEFICIT) POSITION	<u>(41,157,134)</u>	<u>18,474,105</u>
Total net position	<u>\$ 149,798,879</u>	<u>26,668,231</u>

New Mexico Institute of Mining and Technology
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	Institute	Component Unit Foundation
OPERATING REVENUES		
Tuition and fees, net of discounts and allowances of \$3,329,846	\$ 10,617,656	\$ -
Federal grants and contracts	41,687,763	-
State and local grants and contracts	1,968,566	-
Private grants and contracts	10,582,176	-
Other grants and contracts	2,749,787	-
Sales and services of auxiliary enterprises, net of scholarship allowances of \$1,092,483	5,197,163	-
Other	7,345,230	1,930,704
Benefit trust employee contributions	3,526,718	-
Benefit trust employer contributions	4,808,364	-
Total operating revenues	88,483,423	1,930,704
EXPENSES		
Instruction and general		
Instruction	16,058,581	-
Institutional support	7,227,776	-
Operations and maintenance support	6,264,855	-
Student services	1,982,108	-
Academic support	2,554,402	-
Other sponsored activities	35,457,891	-
Research	18,134,452	-
Student aid grants and stipends, net of tuition discounts and allowances of \$3,329,846	8,800,663	936,096
Depreciation and amortization	10,351,407	69,457
Auxiliary enterprises, net of discounts and allowances of \$1,092,483	4,049,689	756,126
Other expenditures	7,177,231	745,045
Independent operations	3,843,412	-
Plant funds	2,847,346	-
Public service	530,010	-
Pension expense	20,441,150	-
Other postemployment benefits expense	6,171,369	-
Benefit trust claims expense	6,299,895	-
Benefit trust premiums	1,200,339	-
Benefit trust general and administrative	369,788	-
Total operating expenses	159,762,364	2,506,724
Operating loss	(71,278,941)	(576,020)

New Mexico Institute of Mining and Technology
Statement of Revenues, Expenses, and Changes in Net Position (continued)
For the Year Ended June 30, 2018

	Institute	Component Unit Foundation
NONOPERATING REVENUES		
State appropriations	\$ 35,800,310	-
Gifts	2,728,817	-
Interest and investment income, net	715,294	2,105,413
Net nonoperating revenues	<u>39,244,421</u>	<u>2,105,413</u>
(Loss) gain before other revenues and expenses	<u>(32,034,520)</u>	<u>1,529,393</u>
OTHER REVENUES AND EXPENSES		
Other revenues	8,267,509	89
Additions to permanent endowments	4,480,208	-
State land grant permanent fund income	1,803,194	-
Capital gifts and grants	182,834	-
Capital project appropriations from state issued bonds and other	2,229,393	-
Net other revenues	<u>16,963,138</u>	<u>89</u>
Change in net position	(15,071,382)	1,529,482
NET POSITION, beginning of year	176,992,292	25,138,749
ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT (note 2(A))	<u>(12,122,031)</u>	<u>-</u>
Net position, end of year	<u>\$ 149,798,879</u>	<u>\$ 26,668,231</u>

New Mexico Institute of Mining and Technology
Statement of Cash Flows
For the Year Ended June 30, 2018

	Institute	Component Unit Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 10,806,781	\$ -
Grants and contracts	53,171,239	-
Sales and services of auxiliary enterprises	5,197,163	-
Other receipts	24,932,333	990,183
Payments to employees	(57,691,783)	-
Payments to suppliers	(86,258,799)	-
Other payments	-	(844,211)
Net cash used in operating activities	<u>(49,843,066)</u>	<u>145,972</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	35,800,310	-
Gifts for other than capital purposes	2,451,686	-
Other nonoperating receipts	8,267,509	-
Net cash provided by noncapital financing activities	<u>46,519,505</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(7,477,084)	-
Proceeds from sales of capital assets	(16,209)	-
Payments of principal on bond obligations	(580,688)	-
Capital project appropriations from state issued bonds and other	2,229,393	-
Capital gifts and grants	182,834	-
Net cash used in capital and relating financing activities	<u>(5,661,754)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments, net	2,065,255	1,879,700
Investment purchases	(5,303,967)	(1,190,795)
Additions to endowments	4,480,284	-
Distributions received from land grant permanent fund	1,803,194	-
Cash received for notes receivable, net	196,767	194,279
Other	(30,986)	89
Interest, dividend, and realized investment income	653,769	623,092
Net cash provided by investing activities	<u>3,864,316</u>	<u>1,506,365</u>
NET (DECREASE) INCREASE, in cash and cash equivalents	(5,120,999)	1,652,337
CASH AND CASH EQUIVALENTS, beginning of year	<u>48,794,561</u>	<u>138,455</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 43,673,562</u>	<u>\$ 1,790,792</u>
CASH AND CASH EQUIVALENTS		
Unrestricted	43,624,020	\$ 1,790,792
Restricted	49,542	-
Total cash and cash equivalents	<u>\$ 43,673,562</u>	<u>\$ 1,790,792</u>

New Mexico Institute of Mining and Technology
Statement of Cash Flows (continued)
For the year ended June 30, 2018

	<u>Institute</u>	<u>Foundation</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (71,278,941)	\$ (576,020)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization expense	10,355,826	69,457
(Gain) loss on sale of assets and patents	(14,703)	21,976
Transfer of patents to affiliates	-	276,711
Changes in assets and liabilities		
Student accounts receivable	68,077	-
Contract and grant billed and unbilled receivables	(3,897,533)	-
Other accounts receivable	(1,086,308)	-
Inventories	(6,008)	-
Other assets	124,136	(933,009)
Deferred outflows of resources	(38,820,286)	-
Cash overdraft	-	(17,698)
Accounts payable and accrued expenses	(1,215,591)	(59,374)
Student and other deposits	(3,088)	-
Unearned revenue	80,480	-
Compensated absences	456,928	-
Deferred inflows of resources	3,589,457	-
Net pension liability	48,639,131	-
Net OPEB liability	3,165,357	-
Other payables	-	1,363,929
	<u> </u>	<u> </u>
Net cash used in operating activities	<u>\$ (49,843,066)</u>	<u>\$ 145,972</u>

Supplemental Disclosure of Cash Flow Information

During 2018, investments held by the Institute increased in value in the amount of \$4,642,798.

During 2018, for the Research Park, the private equity investment was written down to zero as a result of loss recognition in the amount of \$2,176,315.

During 2018, investments held by the Foundation increased in value in the amount of \$793,419.

New Mexico Institute of Mining and Technology
Statement of Fiduciary Net Position
As of June 30, 2018

ASSETS	
Cash	\$ 2,616,629
Other receivables	126,741
Short-term investments	931,697
Other long-term investments	<u>1,647,107</u>
Total assets	<u>5,322,174</u>
 LIABILITIES	
Accounts payable and accrued liabilities	<u>1,017,520</u>
Total liabilities	<u>1,017,520</u>
 NET POSITION	
Net position restricted for postemployment benefits other than pension	<u><u>\$ 4,304,654</u></u>

New Mexico Institute of Mining and Technology
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2018

ADDITIONS	
Employer contributions	\$ 3,526,718
Employee contributions	4,808,364
Investment income	173,858
Other revenue	10,269
Total additions	<u>8,519,209</u>
DEDUCTIONS	
Claims expense, net of stop-loss refunds of \$454,528	6,299,895
Insurance premiums	1,200,340
General and administrative	369,788
Total deductions	<u>7,870,023</u>
Net increase in net position	649,186
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	
Net position at beginning of year	<u>3,655,468</u>
Net position at end of year	<u>\$ 4,304,654</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 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 significant accounting policies are summarized in Note 1 and include accounting standards adopted in recent years as detailed below.

The Institute adopted Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. This Statement amends the blending requirements in paragraph 53 of the Statement No. 14, *The Financial Reporting Entity, as amended*, by adding criterion that requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion in the Statement resulted in the blending of one component unit of the Institute that is previously presented discretely; New Mexico Tech University Research Park Corporation. Changes were applied retroactively by adjusting the beginning net position presented. This restatement was an increase of \$1,884,394 to unrestricted net position as of July 1, 2017.

The Institute adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB. Changes were applied retroactively by adjusting the beginning net position presented. As a result of the implementation of GASB Statement No. 75, the Institute restated net position as of July 1, 2017. This restatement was a decrease of \$14,006,425 to unrestricted net position as of July 1, 2017. The implementation resulted in the recognition of \$27,309,376 in net OPEB liability, \$4,808,364 in deferred outflows of resources, and \$3,006,012 in deferred inflows of resources as of June 30, 2018. This statement also resulted in enhanced note disclosures and schedules of required supplemental information related to OPEB.

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.

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

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

Blended Component Unit

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

The 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.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

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

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.

(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 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

This represents the Institute's capital assets less depreciation, net of any outstanding debt obligations related to those capital assets. Capital assets are defined as tangible or intangible assets that are used in operations and have a useful life beyond a single reporting period. The Institute has bond obligations related to capital assets for 2018 (see Note 5).

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

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

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

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 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 2018 are shown as unearned revenue in the accompanying financial statements since the session was not completed at June 30, 2018.

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 includes employer pension contributions and changes in actuarial assumptions, investment experience and employer proportion of net pension liability related to expenditure of net assets in future periods.

Deferred Inflows of Resources

Deferred inflows of resources includes changes in pension actuarial experience and proportion of total employer net pension liability related to acquisition of net assets in 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 \$10,550,000 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, 2018.

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, 2018.

New Mexico Institute of Mining and Technology

Notes to 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*.

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 \$35,800,310 for fiscal year 2018, 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 2019.

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

The Institute is a beneficiary of the Ferguson legislation (1898) whereby lands of the State of New Mexico were allocated to the benefit of state educational institutions including income derived 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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

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

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. 83 – *Certain Asset Retirement Obligations*. An asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset, such as the decommissioning of nuclear reactors, removal and disposal of wind turbines in wind farms, dismantling and removal of sewage treatment plants, and removal and disposal of x-ray machines. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable and that the measurement be based on the best estimate of the current value of outlays expected to be incurred. This Statement also requires disclosure of information about the nature of a government’s AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. GASB Statement No. 83 is effective for periods beginning after June 15, 2018 (fiscal year 2019), and earlier application is encouraged. The Institute is currently evaluating the impact GASB Statement No. 83 will have on its financial statements.

New Mexico Institute of Mining and Technology

Notes to Financial Statements

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

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.

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. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement requires that additional information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. GASB Statement No. 88 is effective for periods beginning after June 15, 2018 (fiscal year 2019), and earlier application is encouraged. The Institute is currently evaluating the impact GASB Statement No. 88 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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

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

Subsequent Events

Subsequent events have been evaluated through October 25, 2018, 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, 2018. 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, 2018, is included below:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Reconciled Balance
First State Bank	Comptroller Cash on Deposit	Checking	\$ 42,981,415	\$ (2,370,626)	\$ 40,610,789
First State Bank	Payroll Cash on Deposit	Checking	180,771	(780,237)	(599,466)
First State Bank	NMEAF Cash on Deposit	Checking	40,013	9,529	49,542
Wells Fargo	Vender Cash on Deposit	Checking	1,154,868	(674,459)	480,409
Wells Fargo	Employee Benefits Trust Operating	Checking	2,359,939	(1,847)	2,358,092
Wells Fargo	Employee Benefits Trust Claims	Checking	471,529	(212,992)	258,537
First State Bank	Research Park Corp Checking	Checking	490,362	-	490,362
			<u>47,678,897</u>	<u>(4,030,632)</u>	<u>43,648,265</u>
	Petty Cash	Cash	-	-	25,297
	Total cash accounts		<u>\$ 47,678,897</u>	<u>\$ (4,030,632)</u>	<u>\$ 43,673,562</u>

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, 2018, the Institute's custodial credit risk was as follows:

Bank balance uninsured and uncollateralized	\$ 8,434,293
Bank balance uninsured and collateral held (not in Institute's name)	<u>38,494,604</u>
Total custodial credit risk - cash	<u>\$ 46,928,897</u>

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 3 – Cash and Investments (continued)

The Institute's pledged collateral as of June 30, 2018 was as follows:

Total deposits all banks	\$ 47,678,897
Less: FDIC coverage	<u>(750,000)</u>
Uninsured public funds	46,928,897
50% collateral required	23,464,449
Pledged collateral held by pledging banks' agent in the name of the Institute	<u>38,494,604</u>
Excess of pledge collateral over the required amount	<u><u>\$ 15,030,156</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, 2018:

	Market Value
Short-term LGIP	\$ 18,309,319
Endowments	47,712,017
Other long-term	<u>17,708,282</u>
Total investments	<u><u>\$ 83,729,618</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	\$ 31,611	\$ 31,611
Mutual funds	87,349	87,349
U.S. government and corporate debt securities	361,684	361,684
Common stocks	2,278,750	2,278,750
NMT Capital Campaign		
Money market funds	64,128	64,128
Mutual funds	132,189	132,189
Corporate debt securities	156,656	156,656
Common stocks	320,456	320,456
TD Ameritrade		
Student Investment Club		
Cash	2,578	2,578
Common stocks	214,351	214,351
State Investment Council Pooled Fund	61,770,547	61,770,076
State Treasurer - LGIP	<u>18,309,319</u>	<u>18,309,319</u>
 Total investments	 <u>\$ 83,729,618</u>	 <u>\$ 83,729,147</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 AAA-m rated \$18,309,319 50 day WAM (R); and 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, 2018, 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	\$ 95,739
Cash	-	not rated	2,578
Corporate debt securities	2.57	A-AAA	517,656
Government debt securities	6.47	AA+	684
State Treasurer - LGIP	0.14	AAAm	18,309,319
Investments not subject to categorization			
State Investment Council Pooled Funds		not rated	<u>61,770,547</u>
Total items subject to credit risk	-		<u>80,696,523</u>
<i>Items not subject to credit risk</i>			
Mutual funds			219,538
Common stocks			<u>2,813,557</u>
Total items not subject to credit risk			<u>3,033,095</u>
 Total investments			 <u><u>\$ 83,729,618</u></u>

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, 2018, 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	\$ 95,739	\$ -	\$ -	\$ -	\$ 95,739
U.S. Government and corporate debt securities	100,218	417,742	380	-	518,340
State Treasurer LGIP	18,309,319	-	-	-	18,309,319
	<u>\$ 18,505,276</u>	<u>\$ 417,742</u>	<u>\$ 380</u>	<u>\$ -</u>	18,923,398
<i>Investments not subject to categorization</i>					
State Investment Council Pooled fund					61,770,547
Total items subject to interest rate risk					<u>80,693,945</u>
<i>Items not subject to interest rate risk</i>					
Cash					2,578
Common stocks					2,813,557
Mutual funds					219,538
Total items not subject to interest rate risk					3,035,673
Total investments					<u>\$ 83,729,618</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, 2018.

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 2018, 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 (Investments are in a commingled fund) – Level 2
- Investments in Small/Mid Cap Active Pool – Level 1
- Investments in Non-US Developed Markets Index Pool – Level 1
- Investments in 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, 2018.

	Fair Value	Quoted Prices in	Significant Other	Significant
		Active Markets for Identical Assets Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
Held at Morgan Stanley and Scottrade				
Common stocks	\$ 2,813,557	\$ 2,813,557	\$ -	\$ -
Money market funds	95,739	95,739	-	-
Corporate debt securities	517,656	517,656	-	-
Government debt securities	684	684	-	-
Mutual funds	219,538	219,538	-	-
Investments held with the New Mexico				
State Investment Council (SIC) pooled funds:				
Core Plus Bond Pools	31,958,995	-	31,958,995	-
Large Cap Index Pool	29,512,940	29,512,940	-	-
Non-US Developed Market Index Pool	118,080	118,080	-	-
Small/Mid Cap Active Pool	180,532	180,532	-	-
State Treasurer Office (STO) LGIP	18,309,319	-	18,309,319	-
Total	83,727,040	\$ 33,458,726	\$ 50,268,314	\$ -
Cash	2,578			
Total Investments	\$ 83,729,618			

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	\$ 118,080	Daily	5 Business Days
SIC Mid/Small Cap	180,532	Daily	5 Business Days
SIC Large Cap Index Fund	29,512,940	Daily	5 Business Days
SIC Core Plus Bond Fund	31,958,524	Daily	5 Business Days
STO LGIP	18,309,319	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, 2018:

Grant and contracts billed and unbilled	\$ 12,526,975
Student accounts	816,594
Due from state agencies	25,000
Other receivables	1,909,419
Total receivables	<u>15,277,988</u>
Allowance for doubtful accounts	<u>(478,122)</u>
Total receivables billed and unbilled, net	<u><u>\$ 14,799,866</u></u>

Note 5 – Capital Assets

Following are the changes in capital assets for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Transfers	Retirements	Balance June 30, 2018
Capital assets not being depreciated					
Land	\$ 4,334,219	\$ -	\$ -	\$ -	\$ 4,334,219
Construction in progress	19,591,549	3,810,530	(1,305,742)	(151,176)	21,945,161
Total assets not depreciating	<u>\$ 23,925,768</u>	<u>\$ 3,810,530</u>	<u>\$ (1,305,742)</u>	<u>\$ (151,176)</u>	<u>\$ 26,279,380</u>
Depreciable capital assets					
Non-major infrastructure networks	\$ 30,411,900	\$ -	\$ -	\$ -	\$ 30,411,900
Land improvements	6,705,299	-	110,445	-	6,815,744
Buildings	190,568,917	-	1,195,297	-	191,764,214
Furniture, fixtures, and equipment	47,109,995	2,920,546	-	(907,335)	49,123,206
Software	1,770,118	10,000	-	-	1,780,118
Library materials	20,161,432	932,799	-	(11,212)	21,083,019
Total depreciating capital assets	<u>\$ 296,727,661</u>	<u>\$ 3,863,345</u>	<u>\$ 1,305,742</u>	<u>\$ (918,547)</u>	<u>\$ 300,978,201</u>
Accumulated depreciation					
Non-major infrastructure networks	\$ (14,613,830)	\$ (1,000,161)	\$ -	\$ -	\$ (15,613,991)
Land improvements	(3,418,602)	(218,004)	-	-	(3,636,606)
Buildings	(87,725,592)	(5,491,595)	-	-	(93,217,187)
Furniture, fixtures, and equipment	(39,421,698)	(2,529,589)	-	892,633	(41,058,654)
Software	(1,236,851)	(197,308)	-	-	(1,434,159)
Library materials	(13,451,232)	(914,751)	-	11,212	(14,354,771)
Total accumulated depreciation	<u>\$ (159,867,805)</u>	<u>\$ (10,351,408)</u>	<u>\$ -</u>	<u>\$ 903,845</u>	<u>\$ (169,315,368)</u>
Capital assets summary					
Capital assets not depreciating	\$ 23,925,768	\$ 3,810,530	\$ (1,305,742)	\$ (151,176)	\$ 26,279,380
Depreciating capital assets, at cost	296,727,661	3,863,345	1,305,742	(918,547)	300,978,201
Total cost capital assets	320,653,429	7,673,875	-	(1,069,723)	327,257,581
Accumulated depreciation	(159,867,805)	(10,351,408)	-	903,845	(169,315,368)
Capital assets, net	<u>\$ 160,785,624</u>	<u>\$ (2,677,533)</u>	<u>\$ -</u>	<u>\$ (165,878)</u>	<u>\$ 157,942,213</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, 2018 is as follows:

Noncurrent Liabilities	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion (Due in 2018)
Accrued compensated absences	\$ 7,329,130	\$ 4,644,752	\$ (4,187,824)	\$ 7,786,058	\$ 4,329,090
Environmental remediation	5,434,223	-	-	5,434,223	-
Bonds payable	11,124,025	-	(580,688)	10,543,337	-
Net pension liability	94,195,558	48,639,131	-	142,834,689	-
Net OPEB obligation	29,142,799	6,121,369	(7,954,792)	27,309,376	-
Total noncurrent liabilities	<u>\$ 147,225,735</u>	<u>\$ 59,405,252</u>	<u>\$ (12,723,304)</u>	<u>\$ 193,907,683</u>	<u>\$ 4,329,090</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, 2018.

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, 2018, 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%	\$ 10,543,337

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>
2019	\$ -	\$ 247,375
2020	575,000	483,250
2021	590,000	457,000
2022	630,000	426,500
2023	650,000	394,500
2024-2028	3,795,000	1,435,375
2029-2032	3,770,000	389,200
Total	<u>\$ 10,010,000</u>	<u>\$ 3,833,200</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 \$1,056,350 which includes the required payments for 2018 and the principal and first-half interest payments for fiscal year 2019. Pledged revenues received during 2018 were \$11,287,711.

A bond premium of \$533,337 remains unamortized as of June 30, 2018, 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.

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.

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, 2018, there were a total of 182 retirees and 722 active participants in the plan.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 8 – Other Postemployment Benefits Plan (continued)

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.

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.

Contribution amounts vary by plan, salary level, and age (for retirees) and ranged as follows for the year ended June 30, 2018:

<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 2018 was \$4,808,364.

Net Other Postemployment Benefits Liability

The Institute's net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018.

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

<u>Component of the Institute's net OPEB Liability</u>	<u>June 30, 2018</u>
Total OPEB liability	\$ 30,964,844
Plan fiduciary net position	<u>3,655,468</u>
The Institute's net OPEB liability	<u>\$ 27,309,376</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>12%</u>

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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 8 – Other Postemployment Benefits Plan (continued)

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	Pre-Medicare: 6% initially, reduced by decrements to a rate of 5.0% after six years Post-Medicare: 8.5% initially, reduced by decrements to a rate of 5.0% after six years Dental: 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 3.62%, 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 3.58% on the last Friday prior to the measurement date of June 30, 2017. 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.

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, 2017 (based on July 1, 2016 measurement date)	\$ 31,886,882	\$ 2,744,083	\$ 29,142,799
Changes for the year:			
Service cost	2,697,731	N/A	2,697,731
Interest on the total OPEB liability	1,225,228	N/A	1,225,228
Changes of benefit terms	-	N/A	-
Differences between expected and actual experience	-	N/A	-
Changes of assumptions*	(3,354,656)	N/A	(3,354,656)
Gross benefit payments	(1,490,341)	(1,490,341)	-
Contributions from the employer	N/A	4,202,261	(4,202,261)
Contributions from the employee	N/A	3,570,439	(3,570,439)
Net investment income	N/A	(5,370,974)	5,370,974
Administrative expense	N/A	-	-
Net Changes	(922,038)	911,385	(1,833,423)
Balance at June 30, 2018 (based on July 1, 2017 measurement date)	\$ 30,964,844	\$ 3,655,468	\$ 27,309,376

* The assumed discount rate increase from 3.62% at June 30, 2017 to 4.18% at June 30, 2018.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 8 – Other Postemployment Benefits Plan (continued)

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

The following presents the Institute's net OPEB liability at June 30, 2018, which was measured using the discount rate of 4.18% 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 (3.18 percent) or 1-percentage-point higher (5.18 percent) than the current rate:

Changes in Discount Rate	1% Decrease (3.18%)	Discount Rate (4.18%)	1% Increase (5.18%)
Net OPEB liability	\$ 32,481,683	\$ 27,309,376	\$ 21,474,527

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, 2018, 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:

Changes in the Healthcare Cost Trend Rates	1% Decrease (Pre-Medicare: 5% decreasing to 4%, Post-Medicare: 7.5% decreasing to 4.0%, Dental: 2%)	Current Discount Rate (Pre-Medicare: 6% decreasing to 5%, Post-Medicare: 8.5% decreasing to 5.0%, Dental: 3%)	1% Increase (Pre-Medicare: 7% decreasing to 6%, Post-Medicare: 9.5% decreasing to 6.0%, Dental: 4%)
Net OPEB liability	\$ 20,974,280	\$ 27,309,375	\$ 33,329,371

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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 8 – Other Postemployment Benefits Plan (continued)

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

For the year ended June 30, 2018, the Institute recognized OPEB expense of \$6,121,369. At June 30, 2018, the Institute reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Year ended June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 18,386
Changes in assumptions	-	2,987,626
Institute contribution subsequent to the measurement date	4,808,364	-
Total	\$ 4,808,364	\$ 3,006,012

The \$8,574,110 reported as deferred outflows of resources related to OPEB resulting from Institute contributions subsequent to the measurement date of July 1, 2017 will be recognize as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending June 30:</u>	
2019	\$ (371,627)
2020	(371,627)
2021	(371,627)
2022	(371,625)
2023	(1,519,506)
Thereafter	-
Total	\$ (3,006,012)

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, 2018, have been based on the Institute's historical claims' experience. While management believes that these estimates are adequate, actual incurred but unpaid claims may vary significantly from the amount provided.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 9 – Claims and Claims Adjustment Expenses

As of June 30, 2018, 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	\$ 827,330
Incurred claims and claims adjustment expenses	6,509,896
Payments, net of revenues	<u>(6,341,226)</u>
Liability for claims and claims adjustment expenses, at end of year	<u>\$ 996,000</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.

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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 10 – Defined Benefit Retirement Plan (continued)

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.

- 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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 10 – Defined Benefit Retirement Plan (continued)

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.

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%.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 10 – Defined Benefit Retirement Plan (continued)

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, 2018 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
2018	7-1-17 to 6-30-2018	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-2018	\$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. The Institute's contributions to ERB for the fiscal year ended June 30, 2018 was \$5,230,496, which equal the amount of the required contributions for each fiscal year.

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

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2016. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

At June 30, 2018, the Institute reported a liability of \$142,834,739 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017, 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 no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. 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, actuarially determined. At June 30, 2017, the Institute's proportion was 1.28524 percent, which was an decrease of 0.02368 percent from its proportion measured as of June 30, 2016.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 10 – Defined Benefit Retirement Plan (continued)

For the year ended June 30, 2018, the Institute recognized pension expense of \$20,441,150. Pension expense as reported in the statement of revenues, expenses, and changes in net position consists of the amount above less the reversal of the prior year's contributions subsequent to the measurement date and adjustments related to differences between prior year Plan schedules and the Institute's financial statements. At June 30, 2018, the Institute reported deferred outflows of resources and deferred inflows of 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	\$ 256,402	\$ 2,200,504
Changes of assumptions	41,696,267	-
Net difference between projected and actual earnings on pension plan investments	-	19,594
Changes in proportion and differences between Institute contributions and proportionate share of contributions	194,200	1,155,108
Institute contributions subsequent to the measurement date	<u>5,230,496</u>	<u>-</u>
Total	<u>\$ 47,377,365</u>	<u>\$ 3,375,206</u>

The \$5,230,496 reported as deferred outflows of resources related to pensions resulting from Institute contributions subsequent to the measurement date of June 30, 2017, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized in pension expense as follows:

<u>For Year Ended June 30,</u>	<u>Pension Expense</u>
2019	\$ 14,774,946
2020	15,752,894
2021	9,419,978
2022	<u>(1,176,135)</u>
Total	<u>\$ 38,771,683</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="padding-right: 20px;">Fiscal year</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>Service life in years</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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.35	3.77	3.92	3.88
Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	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 Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.										

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.
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	35.0%	
Fixed Income	28.0%	
Alternatives	36.0%	
Cash	1.0 %	
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 5.9% was used to measure the total pension liability as of June 30, 2017. This 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 3.56%, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projection of cash flows used to determine this 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 5.90 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 (4.90 percent) or 1-percentage-point higher (6.90 percent) than the current rate:

	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
Institute's proportionate share of the net pension liability	\$ 185,935,309	\$ 142,834,739	\$ 107,603,529

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 ERB (which include contributions related to the Alternative Retirement Plan) for fiscal years ending June 30, 2018, 2017 and 2016 were \$5,230,496, \$5,112,672, and \$5,193,709, respectively, which is equal to the amount of the required contributions for each fiscal year.

At June 30, 2018, the Institute had an outstanding payable to the Plan of \$1,175,889 which consisted of statutory employee and employer contributions for the month of June 2018.

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 ERB, the ARP is a defined contribution plan. ERB is the trustee of the ARP which is administered by two third-party contractors for NMERB. The 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, ERB 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.

Faculty and professional employees of New Mexico public universities and community colleges have the option of participating in the ARP. They can opt to participate in either ERB's Defined Benefit Plan or ARP during the first 90 days of employment if they are in an eligible position. Information about the ARP is distributed by the employer. 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.

The benefit received upon retirement is based on the amount contributed by the employee during their career, subject to any investment gains or losses. Employees are 100% vested in both the employee and employer contributions upon enrollment in the ARP. ARP participants can apply for a distribution of their ARP contributions upon separation from the Institute. ARP participants direct their own investments which are held at either TIAA or Fidelity, and retirement benefits are tied to the value of the assets in the account at retirement. Upon retirement, ARP participants have three options:

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

For the year ended June 30, 2018, the employee contributes 10.7% and the employer contributes 10.9% of the employee's gross covered salary to the ARP vendor. Employers pay an additional 3% contribution rate to cover the actuarial impact on the Defined Benefit Plan attributable to employees participating in the ARP. Employer contributions to the ARP for the fiscal years ended June 30, 2018, 2017, and 2016 totaled \$887,805, \$847,983, and \$838,353, respectively. The Institute's 3% contribution for each year is included in the amount remitted to ERB in Note 11.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

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, 2018 was \$665,680.

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

<u>For Years Ending June 30th,</u>	<u>Minimum Rental Payments</u>
2019	\$ 76,704
2020	65,007
2021	39,057
2022	36,000
2023	36,000
2024-2028	180,000
2029-2033	96,000
Total	<u>\$ 528,768</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.

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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 12 – Commitments and Contingencies (continued)

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, 2018, 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 \$26,644,393.

Total construction commitments of \$1,531,579 are not presented in the financial statements. These commitments represent unfinished contracts with various entities at June 30, 2018.

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 \$1,622,551.

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.

New Mexico Institute of Mining and Technology

Notes to Consolidated Financial Statements

Note 15 – Reconciliation of Budget Basis to GAAP

Total Unrestricted and Restricted Revenues:	
Budgetary Basis	\$ 142,351,877
Reconciling items:	
Tuition discounts and allowances	(4,422,328)
Indirect cost recovery	(8,502,985)
Cost share adjustment	(198,044)
Deposits held for other	25,003
Restricted internal service adjustment	(5,099,777)
Internal service cost recovery adjustment	3,584,812
Unbudgeted exhibits	8,094,559
Benefit Trust revenue	8,519,209
Blended component unit (amount not in budgetary basis)	338,656
Total reconciling items	<u>\$ 2,339,105</u>
Total reconciled unrestricted and restricted revenues per budgetary basis	<u><u>\$ 144,690,982</u></u>
Basic Financial Statements	
Operating revenue	\$ 88,483,423
Nonoperating revenue	39,244,421
Capital contributions and other	16,963,138
Total unrestricted and restricted revenue per financial statements	<u><u>\$ 144,690,982</u></u>
Difference	<u><u>\$ -</u></u>
Total Unrestricted and Restricted Expenditures:	
Budgetary Basis	\$ 142,346,046
Reconciling items:	
Tuition discounts and allowances	(4,422,328)
Indirect costs	(8,502,985)
Capital expenditures	(7,506,491)
Depreciation expense	10,351,407
Deposit held for others	31,816
Restricted internal service adjustment	(5,099,777)
Pension expense	15,210,654
OPEB expense	1,363,004
Internal service cost recovery adjustment	3,584,812
Benefit Trust expenses	7,870,022
Unbudgeted exhibits	4,499,645
Blended component unit (amount not in budgetary basis)	36,539
Total reconciling items	<u>\$ 17,416,318</u>
Total reconciled unrestricted and restricted expenditures per budgetary basis	<u><u>\$ 159,762,364</u></u>
Basic Financial Statements	
Operating expenditures	\$ 159,762,364
Total unrestricted and restricted revenue per financial statements	<u><u>\$ 159,762,364</u></u>
Difference	<u><u>\$ -</u></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

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, 2018.

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

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

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, 2018.

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 – 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.

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, 2018. 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.

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 – 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.

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, 2018.

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.

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

Patents with net cost of \$276,711 were transferred to the New Mexico Tech University Research Park Corporation, an affiliate, during the year ended June 30, 2018.

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.

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)

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).

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.

The Foundation applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. There were no uncertain tax positions taken by the Foundation for the year ended June 30, 2018.

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, 2018, the Foundation's deposits were exposed to custodial credit risk as follows:

	First State Bank	Wells Fargo	Total
Total of deposits in the bank	\$ 1,753,896	\$ 38,467	\$ 1,792,363
FDIC Coverage	(250,000)	(38,467)	(288,467)
Total uninsured funds	<u>\$ 1,503,896</u>	<u>\$ -</u>	<u>\$ 1,503,896</u>
Custodial credit risk-deposits			
Account balance			\$ 1,792,363
FDIC insured			(288,467)
Total Uninsured and uncollateralized			<u>\$ 1,503,896</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)

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, 2018 follows:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
First State Bank	Checking	Cash	\$ 1,752,307	\$ (1,571)	\$ 1,750,736
First State Bank	Savings	Cash	1,589	-	1,589
Wells Fargo	Checking	Cash	38,467	-	38,467
Total cash and cash equivalents			<u>\$ 1,792,363</u>	<u>\$ (1,571)</u>	<u>\$ 1,790,792</u>

Investments

A summary of the investments at June 30, 2018 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	\$ 14,808,161
Core Plus Bonds Pool	Not Rated	<u>8,578,174</u>
Total investments		<u>\$ 23,386,335</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, 2018, 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, 2018, 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.

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)

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

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

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

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 2018, 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, 2018:

	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	\$ 14,808,161	\$ -	\$ 14,808,161	\$ -
Core Plus Bonds Pool	8,578,174	-	8,578,174	-
Total investments	<u>\$ 23,386,335</u>	<u>\$ -</u>	<u>\$ 23,386,335</u>	<u>\$ -</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)

Promise to Give

Promise to give are included within other assets on the statement of net position and consist of the following as of June 30, 2018:

Amounts receivable in less than one year	\$ 500,000
Amounts receivable in more than one year	<u>500,000</u>
Total promise to give	1,000,000
Discount to net present value	<u>(66,991)</u>
Promise to give, net	933,009
Less current portion	<u>(455,682)</u>
Noncurrent portion	<u><u>\$ 477,327</u></u>

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 \$282,420 of which \$182,783 is reported as a current asset and \$99,637 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, and is secured by the building.

The Foundation also has a note receivable in the amount of \$145,190, of which \$1,929 is reported as a current asset and \$143,261 is a noncurrent asset. The real estate sold is the underlying collateral for the note receivable. The note bears a 6% interest rate and is payable monthly over 36 months with the remaining balance due at maturity.

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 \$31,262, with \$9,567 reported as a current asset and \$21,695 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%) plus one percent. The note will be repaid with five annual payments with the three remaining installments due on or before September 6, 2018, 2019 and 2020, respectively.

Notes receivables are included in other assets in the schedule of 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)

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	<u>775,664</u>	<u>-</u>	<u>-</u>	<u>775,664</u>
Capital assets depreciating				
Building	1,648,127	-	-	1,648,127
Accumulated depreciation				
Building	(855,394)	(59,932)	-	(915,326)
Capital assets, net	<u>\$ 1,568,397</u>	<u>\$ (59,932)</u>	<u>\$ -</u>	<u>\$ 1,508,465</u>

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.

Intangible Assets

Identifiable intangible assets consist of the following at June 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance
Amortized patents				
Cost	\$ 194,698	\$ -	\$ (194,698)	\$ -
Less accumulated amortization	(53,418)	(9,525)	62,943	-
Total amortized patents	141,280	(9,525)	(131,755)	-
Unamortized patents				
Cost	166,932	-	(166,932)	-
Total intangible assets	<u>\$ 308,212</u>	<u>\$ (9,525)</u>	<u>\$ (298,687)</u>	<u>\$ -</u>

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, 2018.

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

The Foundation leases an apartment building to the Institute. The lease is classified as an operating lease on a month-to-month basis. Lease revenues were \$90,150 for 2018.

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 funded \$112,650 in scholarships and awards which were provided through the Institute during the year ended June 30, 2018. 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 \$185,326 to the Institute during 2018, which included \$75,608 in stock donations which were liquidated and the proceeds transferred to the Institute during 2018.

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 \$3,915,847 at June 30, 2018.

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 \$396,588.

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. During the current year, the Foundation reclassified \$4,794 from restricted, expendable net position to restricted, nonexpendable to cover certain donor endowments, whose fair value was less than the original value (under water) of the contribution to the endowment.

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	\$ 3,303,789	\$ 612,058	\$ -	\$ 3,915,847
Restricted, expendable	1,060,731	405,670	(129,596)	1,336,805
Total restricted endowments	<u>\$ 4,364,520</u>	<u>\$ 1,017,728</u>	<u>\$ (129,596)</u>	<u>\$ 5,252,652</u>

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, 2018**

Fiscal Year- June 30, Measurement Date- June 30,	2018 2017	2017 2016	2016 2015	2015 2014
Institute's proportion of the net pension liability (asset)	1.28524%	1.30892%	1.30317%	1.30317%
Institute's proportionate share of the net pension liability (asset)	\$ 142,834,689	\$ 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
Institute's proportionate share of the net pension liability as a percentage of its covered-employee payroll	409%	263%	237%	179%
Plan fiduciary net position as a percentage of the total pension liability	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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 5,087,540	\$ 5,193,709	\$ 5,873,451	\$ 5,762,440
Contribution in relation to the statutorily required contributions	\$ 5,230,496	\$ 5,010,002	\$ 5,146,388	\$ 5,135,439
Annual contribution deficiency (Excess)	\$ (142,956)	\$ 183,707	\$ 727,063	\$ 627,001
Institute covered payroll	\$ 34,954,101	\$ 35,751,781	\$ 35,561,330	\$ 41,456,404
Contributions as a percentage of covered payroll	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, 2018

Changes in Benefit Provisions

There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

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%.

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

New Mexico Institute of Mining and Technology
Schedule of Employer Contributions –
Other Postemployment Benefits (OPEB)
For Year Ended June 30, 2018

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 two years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be present.

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 4,808,364	\$ 4,998,780
Contributions in relation to the actuarially determined contribution	<u>4,808,364</u>	<u>4,998,780</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$28,337,003	\$ 28,142,927
Contributions as a percentage of payroll	17.0%	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 Pre-Medicare: 6% initially, reduced by decrements to a rate of 5.0% after six years
Post-Medicare: 8.5% initially, reduced by decrements to a rate of 5.0% after six years
Dental: 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 two years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

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

Notes to Schedule:

Benefit changes: None

Changes in assumption: In 2017, the assumed discount rate increase from 3.62% at June 30, 2016 to 4.35% as of June 30, 2017.

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>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	9.40%	11.3 %

Supplementary Information

New Mexico Institute of Mining and Technology
Budget Comparison – Unrestricted and Restricted – All Operations (Schedule 1)
For Year Ended June 30, 2018

	Original Budget	Final Budget	Actuals	Final Budget vs Actuals Over (Under) Budget
Unrestricted and restricted beginning net position	\$ 27,308,949	\$ 52,880,978	\$ 52,880,978	\$ -
Unrestricted and restricted revenues:				
State general fund appropriations	43,271,103	43,283,031	38,029,703	(5,253,328)
Restricted revenue sources	74,818,919	76,215,026	69,266,985	(6,948,041)
Tuition and fees	13,256,157	13,686,779	13,947,503	260,724
Land and permanent fund	1,050,000	1,050,000	1,803,194	753,194
Endowment earnings/private gifts	200,000	389,000	634,767	245,767
Other	15,378,301	17,013,108	18,669,725	1,656,617
Total unrestricted and restricted revenues	<u>147,974,480</u>	<u>151,636,944</u>	<u>142,351,877</u>	<u>(9,285,067)</u>
Total unrestricted and restricted revenues and net position budgeted	<u>175,283,429</u>	<u>204,517,922</u>	<u>195,232,855</u>	<u>(9,285,067)</u>
Unrestricted and restricted expenditures:				
Instruction and general	39,892,687	47,112,187	40,309,192	(6,802,995)
Student social and cultural	618,500	1,397,033	837,100	(559,933)
Research	70,021,179	77,511,682	64,994,560	(12,517,122)
Public service	462,550	707,288	564,679	(142,609)
Internal service departments	5,912,936	8,262,588	7,018,329	(1,244,259)
Student aid	10,837,634	11,534,391	10,138,929	(1,395,462)
Auxiliary enterprises	5,439,541	6,112,420	5,361,785	(750,635)
Intercollegiate athletics	201,862	232,825	210,684	(22,141)
Independent operations	5,823,693	6,714,572	5,821,393	(893,179)
Capital outlay	8,990,000	8,990,000	5,918,161	(3,071,839)
Renewal and replacements	2,850,000	2,824,620	680,321	(2,144,299)
Retirement of indebtedness	1,072,371	1,072,371	490,914	(581,457)
Total unrestricted and restricted expenditures	<u>152,122,953</u>	<u>172,471,977</u>	<u>142,346,047</u>	<u>(30,125,930)</u>
Net transfers	<u>(187,000)</u>	<u>(199,000)</u>	<u>(900,055)</u>	<u>(701,055)</u>
Change in net (deficit) position (Budgetary basis)	<u>(4,335,473)</u>	<u>(21,034,033)</u>	<u>(894,225)</u>	<u>20,139,808</u>
Ending net position	<u>\$ 22,973,476</u>	<u>\$ 31,846,945</u>	<u>\$ 51,986,753</u>	<u>\$ 20,139,808</u>

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals</u>	Final Budget vs Actuals Over (Under) Budget
Unrestricted beginning net position	<u>\$ 27,308,949</u>	<u>\$ 51,957,736</u>	<u>\$ 51,957,736</u>	<u>\$ -</u>
Unrestricted revenues:				
Tuition	10,957,530	11,379,897	11,285,028	(94,869)
Miscellaneous fees	2,298,627	2,306,882	2,662,474	355,592
Government appropriation, federal	-	-	-	-
Government appropriation, state	43,271,103	43,283,031	38,029,703	(5,253,328)
Government appropriation, local	-	-	-	-
Government grants, federal	-	-	182,834	182,834
Government grants, state	-	-	-	-
Contracts, local	-	-	-	-
Private contracts	-	-	-	-
Endowments	200,000	389,000	634,767	245,767
Land and permanent fund	1,050,000	1,050,000	1,803,194	753,194
Private gifts	-	-	-	-
Sales and service	6,610,929	7,957,084	6,424,679	(1,532,405)
Other sources	<u>8,767,372</u>	<u>9,056,024</u>	<u>12,062,213</u>	<u>3,006,189</u>
Total unrestricted revenues	<u>73,155,561</u>	<u>75,421,918</u>	<u>73,084,892</u>	<u>(2,337,026)</u>
Total unrestricted revenues and net position budgeted	<u>100,464,510</u>	<u>127,379,654</u>	<u>125,042,628</u>	<u>(2,337,026)</u>
Unrestricted expenditures:				
Instruction and general	39,892,687	47,112,187	40,309,192	(6,802,995)
Student social and cultural	618,500	1,397,033	837,100	(559,933)
Research	9,062,679	16,553,182	9,097,537	(7,455,645)
Public service	462,550	707,288	564,679	(142,609)
Internal service departments	530,000	1,110,303	1,002,717	(107,586)
Student aid	3,910,151	4,306,908	3,745,512	(561,396)
Auxiliary enterprises	5,439,541	6,112,420	5,361,785	(750,635)
Intercollegiate athletics	201,862	232,825	210,684	(22,141)
Independent operations	4,273,693	4,914,572	4,443,593	(470,979)
Capital outlay	8,990,000	8,990,000	5,918,161	(3,071,839)
Renewal and replacements	2,850,000	2,824,620	680,321	(2,144,299)
Retirement of indebtedness	<u>1,072,371</u>	<u>1,072,371</u>	<u>490,913</u>	<u>(581,458)</u>
Total unrestricted expenditures	<u>77,304,034</u>	<u>95,333,709</u>	<u>72,662,194</u>	<u>(22,671,515)</u>
Net transfers	<u>(187,000)</u>	<u>(199,000)</u>	<u>(133,273)</u>	<u>65,727</u>
Change in net (deficit) position (Budgetary basis)	<u>(4,335,473)</u>	<u>(20,110,791)</u>	<u>289,425</u>	<u>20,400,216</u>
Ending net position	<u>\$ 22,973,476</u>	<u>\$ 31,846,945</u>	<u>\$ 52,247,161</u>	<u>\$ 20,400,216</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, 2018

	Original Budget	Final Budget	Actual Budget	Final Budget vs Actuals Over (Under) Budget
Restricted beginning net position	\$ -	\$ 923,242	\$ 923,242	\$ -
Restricted revenues:				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation, federal	269,731	269,731	235,548	(34,183)
Government appropriation, state	-	-	-	-
Government appropriation, local	-	-	-	-
Government grants, federal	58,307,752	58,768,425	47,768,915	(10,999,510)
Government grants, state	7,200,000	7,200,000	1,968,566	(5,231,434)
Contracts, other	-	-	2,749,789	2,749,789
Private contracts	3,546,000	3,546,000	10,780,223	7,234,223
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales and service	5,382,936	6,318,370	5,763,943	(554,427)
Other sources	112,500	112,500	-	(112,500)
Total restricted revenues	<u>74,818,919</u>	<u>76,215,026</u>	<u>69,266,985</u>	<u>(6,948,041)</u>
Cash balance, budgeted	-	923,242	923,242	-
Total restricted revenues and net position budgeted	<u>74,818,919</u>	<u>77,138,268</u>	<u>70,190,227</u>	<u>(6,948,041)</u>
Restricted expenditures:				
Instruction and general	-	-	-	-
Student social and cultural	-	-	-	-
Research	60,958,500	60,958,500	55,897,023	(5,061,477)
Public service	-	-	-	-
Internal service departments	5,382,936	7,152,285	6,015,612	(1,136,673)
Student aid	6,927,483	7,227,483	6,393,418	(834,065)
Auxiliary enterprises	-	-	-	-
Intercollegiate athletics	-	-	-	-
Independent operations	1,550,000	1,800,000	1,377,800	(422,200)
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
Total restricted expenditures	<u>74,818,919</u>	<u>77,138,268</u>	<u>69,683,853</u>	<u>(7,454,415)</u>
Net transfers	-	-	(766,782)	(766,782)
Change in net (deficit) position (Budgetary basis)	-	-	(260,408)	(260,408)
Ending net position	<u>\$ -</u>	<u>\$ 923,242</u>	<u>\$ 662,834</u>	<u>\$ (260,408)</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, 2018

	Original Budget	Final Budget	Actuals	Final Budget vs Actuals Over (Under) Budget
Unrestricted beginning net position	\$ 2,225,927	\$ 9,641,178	\$ 9,641,178	\$ -
Unrestricted revenues:				
Tuition	10,957,530	11,379,897	11,285,028	(94,869)
Miscellaneous fees	1,372,717	1,380,972	1,671,627	290,655
Government appropriation, federal	-	-	-	-
Government appropriation, state	25,505,137	25,523,000	25,522,734	(266)
Government appropriation, local	-	-	-	-
Government grants, federal	-	-	-	-
Government grants, state	-	-	-	-
Contracts, local	-	-	-	-
Private gift/contracts	-	-	-	-
Endowment earnings	200,000	389,000	400,404	11,404
Land and permanent fund	1,050,000	1,050,000	1,803,194	753,194
Private gifts	-	-	-	-
Sales and service	-	-	-	-
Other sources	5,472,940	5,761,592	7,962,002	2,200,410
Total unrestricted revenues	<u>44,558,324</u>	<u>45,484,461</u>	<u>48,644,989</u>	<u>3,160,528</u>
Unrestricted expenditures:				
Instruction	19,262,860	21,596,447	18,645,379	(2,951,068)
Academic support	4,035,445	5,270,281	4,522,673	(747,608)
Student services	2,484,106	3,322,961	2,664,113	(658,848)
Institutional support	7,951,980	10,764,202	7,393,879	(3,370,323)
Operation and maintenance of plant	6,158,296	6,158,296	7,083,148	924,852
Total unrestricted expenditures	<u>39,892,687</u>	<u>47,112,187</u>	<u>40,309,192</u>	<u>(6,802,995)</u>
Net transfers	<u>(5,695,814)</u>	<u>(6,552,213)</u>	<u>(8,728,493)</u>	<u>(2,176,280)</u>
Change in net (deficit) position (Budgetary basis)	<u>(1,030,177)</u>	<u>(8,179,939)</u>	<u>(392,696)</u>	<u>7,787,243</u>
Ending net position	<u>\$ 1,195,750</u>	<u>\$ 1,461,239</u>	<u>\$ 9,248,482</u>	<u>\$ 7,787,243</u>

See accompanying independent auditor's report.

New Mexico Institute of Mining and Technology

Schedule of Deposit Collateral (Schedule 5)

June 30, 2018

	Pledged Collateral		Maturity Date	First State Bank Socorro, NM	Wells Fargo Socorro, NM	Total
	Safekeeping Location	Type of Security				
Funds on deposit						
Deposits				\$ 43,692,561	\$ 3,986,336	\$ 47,678,897
FDIC insurance						
Demand deposits				(500,000)	(250,000)	(750,000)
Total uninsured public funds				\$ 43,192,561	\$ 3,736,336	\$ 46,928,897
Fifty percent collateral requirement per Section 6-10-17 NMSA 1978				\$ 21,596,281	\$ 1,868,168	\$ 23,464,449
Pledged collateral	Federal Reserve Bank	FFCB Non CBL CUSIP #31331SVNO	12/28/2020	4,985,668	-	4,985,668
		FFCB Non CBL CUSIP #31331XX64	8/23/2021	4,017,876	-	4,017,876
		FFCB 2.20% CUSIP #3133ECK94	3/28/2023	5,036,507	-	5,036,507
		FHLB Non CBL CUSIP #3133X8EW8	8/15/2024	1,070,557	-	1,070,557
		FHLB 2.875% CUSIP #3130A2UW4	9/13/2024	5,141,566	-	5,141,566
		FFCB 3.620% CUSIP #31331KUDO	2/11/2025	3,706,340	-	3,706,340
		FFCB Non CBL CUSIP #3133VKU9	4/16/2025	3,071,636	-	3,071,636
		FFCB 2.63% CUSIP #3133EAG44	8/3/2026	1,932,136	-	1,932,136
		FHLB 3.00 CUSIP #3130A2VE3	9/11/2026	5,904,760	-	5,904,760
		FFCB 4.230% CUSIP #31331KNC0	6/8/2028	1,435,641	-	1,435,641
		FNMA 3.0% CUSIP #3138YFCZ5	2/1/2030	-	688,094	688,094
		FNMA 2.50% CUSIP #3140F9BS3	8/1/2031	-	1,503,823	1,503,823
Total collateral				36,302,687	2,191,917	38,494,604
Excess of pledged collateral over the required amount				\$ 14,706,407	\$ 323,749	\$ 15,030,156

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 6)
For Year Ended June 30, 2018

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, Sec10C	2017	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>\$ 5,500,000</u>	<u>\$ 5,500,000</u>	<u>\$ -</u>	<u>\$ 5,500,000</u>	<u>\$ -</u>	<u>\$ 161,556</u>	<u>\$ 55,000</u>	<u>\$ -</u>	<u>\$ 5,283,444</u>
Severance Tax Bond													
Severance Tax-15A	Data & Telecom	3	2015	6/30/2019	\$ 2,000,000	\$ 2,000,000	\$ -	\$ 2,000,000	\$ 182,163	\$ 1,797,837	\$ 20,000	\$ -	\$ -
Severance Tax-16A	HED Mesa PGM	81	2016	6/30/2018	25,000	25,000	-	25,000	-	25,000	-	-	-
Total Severance Tax Bonds					<u>\$ 2,025,000</u>	<u>\$ 2,025,000</u>	<u>\$ -</u>	<u>\$ 2,025,000</u>	<u>\$ 182,163</u>	<u>\$ 1,822,837</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ -</u>
Total Capital Appreciation					<u>\$ 7,525,000</u>	<u>\$ 7,525,000</u>	<u>\$ -</u>	<u>\$ 7,525,000</u>	<u>\$ 182,163</u>	<u>\$ 1,984,393</u>	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ 5,283,444</u>

New Mexico Institute of Mining and Technology
Schedule of Joint Powers Agreements (Schedule 7)
For Year Ended June 30, 2018

<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 2018 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	City to use equipment owned by NMIMT for the construction and maintenance of the landfill	7/18/1994	Ongoing	None	None	Both	Both	Both

**New Mexico Institute of Mining and Technology
Schedule of Expenditures of Federal Awards (Schedule 8)
For Year Ended June 30, 2018**

Federal Grantor/Program Title	Award Number	Funding Agency Identification Number/Contract ID	Federal CDFA Number	Amount Passed Through To Subrecipients	Total Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER					
U.S. Department of Defense					
Direct Awards					
Department of the Army	AFRA	W911NF-16-1-0512	12.630	\$ -	\$ 154,666
Army Research Laboratory	AIPM	W911NF-11-2-0036	12.XXX	-	14
Air Force Research Laboratory	FAIR	FA9453-15-2-0086	12.910	545,220	4,877,935
Office of Naval Research	NCNL	N00014-16-1-2897	12.300	-	134,367
Office of Naval Research	NEDE	N00014-17-1-2181	12.300	-	529,776
Defense Threat Reduction Agency	RTMT	HDTRA1-14-1-0070	12.351	-	20,387
Total Direct U.S. Department of Defense				545,220	5,717,145
Pass-through					
University of Utah	MSME	10028801-NMT	12.630	-	94,816
University of New Mexico	MTME	023317-8746	12.351	-	3,245
Total Pass-through U.S. Department of Defense				-	98,061
Total U.S. Department of Defense				545,220	5,815,206
U.S. Department of Energy					
Direct Awards					
Fossil Energy (National Energy Technology Laboratory)	DSWT	DE-FC26-05NT42591	81.089	2,040,929	4,229,178
Environmental Management	DWIP	DE-EM0003555	81.214	-	6,660
Total Direct Department of Energy				2,040,929	4,235,838
Pass-through					
University of Utah	MCSR	NO. 10044393-NMT	81.087	-	93,947
University of New Mexico	MMPR	0480NI-8746	81.135	-	60,138
Total Pass-through Department of Energy				-	154,085
Total Department of Energy				2,040,929	4,389,923
National Science Foundation					
Direct Awards					
	SARE	OCE-1434550	47.050	-	3,954
	SASR	EAR-1516680	47.050	-	254,372
	SCOR	1543454	47.050	-	61,039
	SCPR	1644234	47.050	-	33,380
	SCRL	1561084	47.050	-	10,939
	SCSL	1445703	47.050	-	(2,492)
	SCTB	AGS-1546698	47.050	-	161,432
	SCVD	1643952	47.050	-	42,264
	SCYC	DGE-1303051	47.076	15,014	387,076
	SDGD	1661344	47.050	-	62,188
	SDHC	1551587	47.050	-	51,139
	SDRF	EAR-1141435	47.050	-	3,925
	SEIC	1757945	47.070	-	57,152
	SFCP	1557232	47.050	132,312	261,800
	SGRS	ANT-1141534	47.078	-	(532)
	SGSM	PLR-1304849	47.050	-	76,787
	SIOZ	1650355	47.050	-	48,031
	SISH	1643798	47.050	-	71,746
	SKAQ	1740526	47.050	-	62,876
	SKAR	EAR-1141768	47.050	-	210
	SOTE	1627109	47.050	-	10,392
	SOTR	1758513	47.050	-	18,817
	SPCG	1460534	47.050	-	81,653
	SREB	PLR-1142083	47.050	-	62,676
	SRIS	AST-1310800	47.049	25,100	57,139
	SSMB2	EAR-1348076	47.050	(370)	44,431
	SSTS	1720600	47.050	-	238,557
	SSTW	1607711	47.047	-	37,618
	STEM	DUE-1161334	47.076	59,780	196,088
	STNG	DUE-1323744	47.076	-	1,654
	STIN	CMMI-1335199	47.041	-	1,398
Total Direct National Science Foundation				231,836	2,397,709

New Mexico Institute of Mining and Technology
Schedule of Expenditures of Federal Awards (Schedule 8 – continued)
For Year Ended June 30, 2018

Federal Grantor/Program Title	Award Number	Funding Agency Identification Number/Contract ID	Federal CDFR Number	Amount Passed Through To Subrecipients	Total Federal Expenditures
Pass-through					
Regents of New Mexico State University	MAMT	Q01617	47.076	\$ -	\$ 29,866
University of Southern California	MCFR	91255549/PO10596554	47.050	-	22,570
UNAVCO, Inc.	MECB	S16-ICER1639709-S1	47.050	-	23,995
University of New Mexico	MENM	063026-8746-IIA-1301346	47.080	-	525,239
University of Utah	MPDM	10036241/PO0000175538	47.050	-	57,680
UNAVCO, Inc.	MGPS	S13-EAR1261833-S1	47.050	-	101,181
The Trustees of Columbia University in the City of New York	MSSP	51 (GG009393)/G11717	47.050	-	9,555
The Trustees of Columbia University in the City of New York	MSSP2	51B(GG009393)/G11717	47.050	-	34,269
University of New Mexico	MWAV	063030-8746	47.079	-	1,635
Incorporated Research Institutions for Seismology	PECD	16-NMT-ECCOL	47.050	-	9,631
Incorporated Research Institutions for Seismology	PMDG	96-NMT-GEOICE	47.xxx	-	3,974
Incorporated Research Institutions for Seismology	PSAG	04-NMT-SAGE	47.050	-	4,272,751
Incorporated Research Institutions for Seismology	PSHA	04-NMT-SAGE REBILL ACCOUNT	47.xxx	-	4,611
Total Pass-through National Science Foundation				-	5,096,957
Total National Science Foundation				231,836	7,494,666
National Aeronautics & Space Administration					
Direct Awards					
	YCLC	NNX17AG82G	43.001	-	114,574
	YFEL	NNX16AO19H	43.001	-	35,063
	YGDA	80NSSC18K0805	43.001	-	14,095
	YGLM	NNX17AJ51A	43.009	-	14,339
	YNEO	NNX15AG34G	43.001	-	461,587
	YSSC	NNX13AT08H	43.008	-	1,379
Total Direct National Aeronautics & Space Administration				-	641,037
Pass-through					
NMC, Inc.	PVAP2	SUBAWARD NO. 425-01	43.001	-	10,746
Regents of New Mexico State University	MJIV	Q01719	43.008	-	11,802
Regents of New Mexico State University	MNGU	Q01923	43.008	-	96,519
Regents of New Mexico State University	MSHC	Q01881	43.008	-	5,000
Regents of New Mexico State University	MZGU	Q01923	43.008	-	4,291
Regents of New Mexico State University	MSHM	Q01915	43.008	-	19,856
Space Telescope Science Institute	MUJC	HST-AR-14585.002-A	43.XXX	-	8,646
Total Pass-through National Aeronautics & Space Administration				-	156,860
Total National Aeronautics & Space Administration				-	797,897
U.S. Department of The Interior					
Direct Awards					
Bureau of Reclamation	RETS	R16AC00025	15.560	-	45,916
Department of the Interior	RLAS	P16AC01716	15.xxx	-	66,306
US Geological Survey	UACD	G17AP00005	15.807	-	20,278
US Geological Survey	UGEQ	G16AC00287	15.810	-	(172)
US Geological Survey	UGEQ	G17AC00260	15.810	-	159,073
US Geological Survey	UGSI	G17AC00182	15.980	-	54,671
US Geological Survey	URHG	G16AC00301	15.808	-	17,265
Total Direct U.S. Department of The Interior				-	363,337
Pass-through					
Water Resources Research Institute	MAAP	Q01933	15.805	-	21,809
Water Resources Research Institute	MMSW	Q01841	15.805	-	14,820
Total Pass-through U.S. Department of The Interior				-	36,629
Total U.S. Department of The Interior				-	399,966
Environmental Protection Agency					
Pass-through					
NM Environment Dept	MAAR	PO66700-0000031424	66.419	-	4,856
New Mexico Environmental Department	MHAR	PO66700-0000028000	66.802	-	133,960
Total Environmental Protection Agency				-	138,816

New Mexico Institute of Mining and Technology
Schedule of Expenditures of Federal Awards (Schedule 8 – continued)
For Year Ended June 30, 2018

Federal Grantor/Program Title	Award Number	Funding Agency Identification Number/Contract ID	Federal CDFA Number	Amount Passed Through To Subrecipients	Total Federal Expenditures
Department of Health and Human Services					
Pass-through					
Regents of New Mexico State University	MER22	Q01679	93.859	\$ -	\$ 65,396
Regents of New Mexico State University	MER23	Q01679	93.859	-	93,523
Regents of New Mexico State University	MER24	Q01679	93.859	-	88,636
Regents of New Mexico State University	MER25	Q01679	93.859	-	66,394
Regents of New Mexico State University	MER27	Q01679	93.859	-	69,403
Regents of New Mexico State University	MER28	Q01679	93.859	-	11,578
Regents of New Mexico State University	MER29	Q01679	93.859	-	15,990
Regents of New Mexico State University	MER31	Q01679	93.859	-	31,787
Regents of New Mexico State University	MER33	Q01679	93.859	-	32,507
Regents of New Mexico State University	MER34	Q01679	93.859	-	38,149
Total Department of Health and Human Services				-	513,363
U.S. Department of Homeland Security					
Pass-through					
Oak Ridge Associated Universities	MACD	AWARD LETTER 2/10/17	97.062	-	25,008
Total U.S. Department of Homeland Security				-	25,008
U.S. Department of Transportation					
Direct Awards					
Federal Aviation Administration	RCOE2	15-C-CST-NMT-03	20.109	-	50,231
Federal Aviation Administration	RCOE3	15-C-CST-NMT-05 TASK 299	20.109	-	48,647
Total U.S. Department of Transportation				-	98,878
U.S. Department of Education					
Pass-through					
NM Higher Education Department	MITQ5	17-950-12150-00006	84.367	-	81,051
Total U.S. Department of Education				-	81,051
TOTAL RESEARCH AND DEVELOPMENT CLUSTER				\$ 2,817,985	\$ 19,754,774
U.S. Department of Defense					
Direct Awards					
Air Force Research Laboratory	FLUZ	FA9453-10-2-0259	12.800	\$ 71,982	\$ 131,377
Air Force Research Laboratory	FSTO	FA9453-17-3-0072	12.800	66,648	1,487,198
Naval Research Lab	NMV1	N00173-01-2-C902	12.300	-	(1)
Total Direct U.S. Department of Defense				138,630	1,618,574
Pass-through					
University of New Mexico	MTME	023317-8746	12.351	-	419
Total Pass-through U.S. Department of Defense				-	419
Total U.S. Department of Defense				138,630	1,618,993
National Aeronautics & Space Administration					
Pass-through					
Regents of New Mexico State University	MRBD	Q01924	43.008	-	4,619
Regents of New Mexico State University	MSGT	Q01903	43.008	-	14,998
Total National Aeronautics & Space Administration				-	19,617

New Mexico Institute of Mining and Technology
Schedule of Expenditures of Federal Awards (Schedule 8 – continued)
For Year Ended June 30, 2018

Federal Grantor/Program Title	Award Number	Funding Agency Identification Number/Contract ID	Federal CDFA Number	Amount Passed Through To Subrecipients	Total Federal Expenditures
U.S. Department of Homeland Security					
Direct Awards					
	RT70	EMW-2015-CA-00060	97.005	\$ -	\$ 2,087,477
	RT80	EMW-2016-CA-00058	97.005	-	18,593,057
	RT90	EMW-2017-CA-00036	97.005	-	527,092
Total Direct U.S. Department of Homeland Security				-	21,207,626
Pass-through					
	MEMT	EMT-2016-05-0005-S01	97.042	-	(2,089)
	MEMT2	EMT-2017-05-0005-S01	97.042	-	5,305
	MEMT3	EMT-2017-EP-00002-S01	97.042	-	45
	MLND	FEMA-4152-DR-NM-020	97.039	-	45,883
Total Pass-through U.S. Department of Homeland Security				-	49,144
Total U.S. Department of Homeland Security				-	21,256,770
U.S. Department of Education					
Direct Awards					
		P031C110059	84.031	888	141,930
		P047M170452	84.047	-	112,030
		P047M130504	84.047	-	258,056
		P047A120523	84.047	-	145,213
Student Financial Aid Cluster					
			84.063	-	2,100,764
			84.007	-	202,298
			84.033	-	176,496
			84.038	-	2,224,979
			84.268	-	1,560,398
			84.268	-	2,128,711
			84.268	-	161,352
Total Student Financial Aid Cluster				-	8,554,998
Total Direct U.S. Department of Education				888	9,212,227
Pass-through					
	MRRS	208089-8746	84.xxx	-	7,662
Total Pass-through U.S. Department of Education				-	7,662
Total U.S. Department of Education				888	9,219,889
Department of Health and Human Services					
Pass-through					
	MSPF	028354-08746	93.423	-	92,116
Total Department of Health and Human Services				-	92,116
U.S. Department of The Interior					
Direct Awards					
	RCKS	P16AC00907-P14AC00029	15.944	-	21,035
	RCKT	P17AC00820 - P14AC00029	15.944	-	268,039
Total U.S. Department of The Interior				-	289,074
U.S. Department of Labor					
Direct Awards					
	RFMJ	MS-30311-17-55-R-35	17.600	-	124,400
	RFMK	MS-05064-18-55-R-35	17.600	-	55,684
Total U.S. Department of Labor				-	180,084
Department of State					
Direct Awards					
	RPSP70	S-LMAQM-16-CA-1136	19.701	-	856,637
Total Department of State				-	856,637
Total Expenditures of Federal Awards				\$ 2,957,503	\$ 53,287,954

New Mexico Institute of Mining and Technology

Note to Schedule of Expenditures of Federal Awards

For Year Ended June 30, 2018

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, 2018. 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.

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, 2018, were \$1,930,717.

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*

The Board of Regents
New Mexico Institute of Mining and Technology
Socorro, New Mexico
and
Mr. Wayne Johnson
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, fiduciary activities, and 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, 2018, and the related notes to the financial statements, which collectively comprise Institute's basic financial statements, and have issued our report thereon dated October 25, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 item 2018-001.

The University's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 25, 2018

Report of Independent Auditors on Compliance for the Major Federal Program; 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. Wayne Johnson
New Mexico State Auditor

Report on Compliance for 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 program for the year ended June 30, 2018. The Institute's major federal program is 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 the Institute's major federal program 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 its major federal program. However, our audit does not provide a legal determination of the Institute's compliance.

Opinion on The 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 its major federal program for the year ended June 30, 2018.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control 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 25, 2018

New Mexico Institute of Mining and Technology
Summary Schedule of Prior Year Findings
For Year Ended June 30, 2018

Prior Year Findings

Status

Findings – Financial Statement

2017-001 (2016-001) System Access Rights

Resolved

2017-002 (2015-001) Endowment Account Reconciliation and Review

Resolved

Findings in Accordance with 2.2.2 NMAC (State Audit Rule)

2017-003 (2016-007) Expenditures in Excess of Budget

Resolved

Findings – Federal Award Findings and Questioned Costs

2017-004 (2016-002) Post Federal Award Requirements –

Device Security and Personally Identifiable Information

Resolved

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

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	Research and Development Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 1,598,639

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, 2018

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, 2018**

Section III - Federal Award Findings and Questioned Costs

None reported

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

Section IV – Other Matters

Finding 2018-001 – Reporting (Findings that do not rise to the level of a significant deficiency)

Federal Agency – US Geological Survey

Federal Program –
15.807 – Research & Development Cluster

Award Number/Award Year –
GP17AP00005 – 2018

Criteria – Per review of the grant agreement New Mexico Institute of Mining and Technology was required to file an annual SF-425 due on March 30, 2018.

Condition/Context – The required annual SF-425 due on March 30, 2018 was filed on August 3, 2018.

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

Effect – The New Mexico Institute of Mining and Technology is not in compliance with reporting requirements.

Questioned Costs – *Unknown*

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 federal requirements.

Views of Responsible Officials and Planned Corrective Actions – The audit identified one instance of a late filing of the required annual SF-425. We acknowledge this oversight. However, we believe that this was a one-time human error and not caused by the lack of a control system. In fact, a control system has been in place for many years to ensure that all agency reporting requirements are met. When an award is initially set up, the award instrument is reviewed for any federal reporting requirements and a financial reporting card is created. This reporting card prompts the preparation of the required reports by the accounting technician. This card was omitted in error during the set up on this particular award.

It is also important to note that the federal agency in question had not contacted New Mexico Institute of Mining & Technology regarding this late submission, and when notified by New Mexico Institute of Mining & Technology, accepted the report on August 3, 2018 without comment or follow up.

New Mexico Institute of Mining and Technology

Exit Conference

For Year Ended June 30, 2018

An exit conference was held on October 16, 2018, for the New Mexico Institute of Mining and Technology and all component units with the following in attendance:

Dr. Stephen Wells	President
Dr. Cleve McDaniel	Vice President for Administration and Finance
Jerry Armijo	Regent, Secretary/Treasurer
Gayle Bailey	Director of Sponsored Projects
Angie Gonzales	Associate Director of Human Resources
Charles Hendrickson	Associate Vice President/Budget Director for Administration and Finance
Carrie Marsyla	Senior Accounting Manager Sponsored Projects
Colleen Foster	Executive Director, Foundation
Melissa Tull	Controller
Emma Aafloy	Associate Director of Budget and Analysis
Kimela Miller	Chief Procurement Officer
Dr. Richard Luarkie	Executive Director, Research Park Corporation
Joanna DeBrine	President, Foundation
Jenny Ma	Accountant

For Moss Adams LLP

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

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.