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AUDIT REPORT 2013
Year ending June 30, 2013

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OFFICIAL ROSTER

June 30, 2013

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each discretely presented component unit and the fiduciary fund of the New Mexico Institute of Mining and Technology (the Institute) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the budgetary comparisons for the unrestricted current funds, restricted current funds, and unrestricted instruction and general funds presented as supplementary information, as defined by the Government Accounting Standards Board, in accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

As discussed in Note A, the financial statements of the Institute are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities that are attributable to the transactions of the Institute. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2013, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component units, and the fiduciary fund of the Institute, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison statements for the year ended June 30, 2013, referenced as schedules 1, 2, 3, and 4 in conformity with the budgetary basis of accounting more fully described in Note A, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

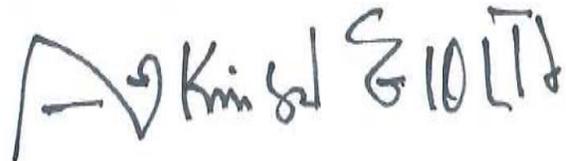
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Institute's basic financial statements and the budgetary comparisons. The schedules of deposit collateral and changes in assets and liabilities - agency fund - employee benefit trust, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013, on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Atkinson & Co., Ltd.", with a stylized logo to the left consisting of a large 'A' and a checkmark-like shape.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 12, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Year Ended June 30, 2013

The New Mexico Institute of Mining and Technology (New Mexico Tech, NMIMT, or the Institute) Management's Discussion and Analysis (MDA) of annual financial statements provide an overview of New Mexico Tech's financial activities for the fiscal year ending June 30, 2013. Also included for comparison purposes is a 2012 financial summary. This annual report marks the tenth year the financial statements are presented in the Governmental Accounting Standard Board Statements (GASB) 34 and 35 reporting format. New Mexico Tech, as do all of New Mexico colleges and universities, uses the Business Type Activity (BTA) format to report the financial statements.

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

A brief summary is provided for the following financial reports:

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

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

Statement of Net Position (SNP)

The Statement of Net Position is a report of the financial and capital resources managed by New Mexico Tech. The SNP is a summary of New Mexico Tech's assets and liabilities, and it is a "snapshot" of New Mexico Tech at the close of business at the date of the statement, in this case, June 30, 2013.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2013

	Balance June 30, 2013 (In Thousands)	Balance June 30, 2012 (In Thousands)	Difference	% Change
Current Assets				
Cash and cash equivalents	\$ 34,841	\$ 28,035	\$ 6,806	24.3%
Short-term investments	23,371	30,063	(6,692)	-22.3%
Receivables, net	11,425	16,448	(5,023)	-30.5%
Inventories	1,328	1,592	(264)	-16.6%
Other assets	2,307	2,327	(20)	-0.9%
	<u>73,272</u>	<u>78,465</u>	<u>(5,193)</u>	<u>-6.6%</u>
Non-Current Assets				
Restricted cash and cash equivalents	47	1,611	(1,564)	-97.1%
Endowment investments	28,284	25,348	2,936	11.6%
Other long-term investments	37,765	34,974	2,791	8.0%
Capital assets, net	140,311	139,760	551	0.4%
	<u>206,407</u>	<u>201,693</u>	<u>4,714</u>	<u>2.3%</u>
Total Assets	<u>\$ 279,679</u>	<u>\$ 280,158</u>	<u>\$ (479)</u>	<u>-0.2%</u>
Current Liabilities				
	<u>\$ 12,103</u>	<u>\$ 13,669</u>	<u>\$ (1,566)</u>	<u>-11.5%</u>
Total Current Liabilities	12,103	13,669	(1,566)	-11.5%
Non-Current Liabilities				
	<u>22,435</u>	<u>23,003</u>	<u>(568)</u>	<u>-2.5%</u>
Total Non-Current Liabilities	22,435	23,003	(568)	-2.5%
Total Liability	34,538	36,672	(2,134)	-5.8%
Net Position				
Capital assets, net of related debt	127,786	126,785	1,001	0.8%
Restricted net position	78,852	82,509	(3,657)	-4.4%
Unrestricted net position	38,503	34,192	4,311	12.6%
Total Net Position	<u>245,141</u>	<u>243,486</u>	<u>1,655</u>	<u>0.7%</u>
	<u>\$ 279,679</u>	<u>\$ 280,158</u>	<u>\$ (479)</u>	<u>-0.2%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2013

Total assets decrease of \$479 thousand or .20 percent. Several categories in the asset classification changed during the fiscal year.

- Cash and Cash Equivalents increased \$6.8 million due to the decrease in accounts receivable and reduction in the short-term investment used for the construction of the new dormitory.
- Short-Term Investments decreased \$6.7 million due to the construction cost paid from the bond funds invested with the NM State Treasurer.
- Net Receivables decreased \$5.0 million. Collection last year increased, and activity at Playas Training Center is now based on a facility use fee not any contracts activity thereby reducing the account receivable balance due to New Mexico Tech.
- Restricted Cash decreased by \$1.6 million because prepaid Magdalena Research Observatory (MRO) funds have been spent.
- Total Liabilities decreased \$2.1 million. The reduction is related to Magdalena Research Observatory balances being spent.

Net Position is divided into three categories:

- Investment in capital assets, net of related debt: This category consists of capital assets reduced by outstanding debt and accumulated depreciation. The net increase is \$1.0 million.
- Restricted net position: This category is subdivided into non-expendable and expendable. The non-expendable is restricted assets earmarked for investment purposes only, such as endowments. Expendable restricted assets are available for expenditures restricted by the creditor, donor or other external source such as grants and contracts. This category decreased \$3.7 million.
- Unrestricted net position: This category reports the assets available to New Mexico Tech for any lawful purpose. These funds increased \$4.3 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, 2013. The SRECNP reports the revenues and expenses for one-year's activity, unlike the SNP, which is a snapshot of New Mexico Tech as of the date of the statement. Operating and non-operating revenues and expenditures are reported in this statement.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2013

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 \$6.6 million.
- Net tuition revenue increased \$1.2 million.
- Grants and contracts revenue decreased \$6.0 million.
- All other operating income decreased \$4.1 million.

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

- Total operating expenses decreased \$8.2 million.
- Research and other sponsored expenditures decreased \$4.9 million.
- The net operating loss for this fiscal year is \$40.3 million compared to last year's net operating loss of \$42.4 million. The GASB required reporting format is mandated to exclude state support as operating revenue. New Mexico Tech and all state universities will report an operating loss from operations.
- Non-operating revenues are funds or commitments received in support of the Institute, but do not provide for the operation of the Institute, such as interest income, gifts and endowments. The one major exception for public colleges and universities is state appropriations. GASB 34/35 requires state appropriations to be included as non-operating revenues, even though those revenues are in direct support of the educational mission of the Institute. Instruction and general expenses are reported as operating expenses; therefore, because of this anomaly, an operating loss is reported each year. Non-operating expenses are the expenditure or investment of the funds received from non-operating sources.

Non-operating revenues decreased \$758 thousand compared to last year. State appropriation increased \$590 thousand and capital appropriation decreased \$2.6 million. Addition to endowments increased \$1.7 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2013

Comparative Statement of Revenues and Expenses (in thousands) for the two years ending June 30:

	June 30, 2013 (In Thousands)	June 30, 2012 (In Thousands)	Difference	%
Operating Revenue				
Tuition and fees	\$ 12,593	\$ 11,380	\$ 1,213	10.7%
Less discount allow	(3,503)	(3,195)	(308)	9.6%
G&C	65,618	71,583	(5,965)	-8.3%
State L&P	3,823	1,361	2,462	180.9%
Sales and service aux	5,845	5,688	157	2.8%
Less discount allow	(1,214)	(1,162)	(52)	4.5%
Other	7,658	11,806	(4,148)	-35.1%
	<u>90,820</u>	<u>97,461</u>	<u>(6,641)</u>	<u>-6.8%</u>
Operating Expense				
Instruction	16,331	15,286	1,045	6.8%
Academic support	1,760	1,754	6	0.3%
Student services	2,052	2,005	47	2.3%
Institutional support	7,282	6,797	485	7.1%
O&M	6,194	5,869	325	5.5%
Research	65,236	70,183	(4,947)	-7.0%
Public service	628	579	49	8.5%
Student aid	8,718	8,085	633	7.8%
Auxiliaries	5,275	5,087	188	3.7%
Less discount allow	(4,718)	(4,357)	(361)	8.3%
Depreciation	9,453	9,185	268	2.9%
Independent ops	3,728	3,867	(139)	-3.6%
Plant funds	1,867	2,443	(576)	-23.6%
Other	7,892	13,126	(5,234)	-39.9%
	<u>131,698</u>	<u>139,909</u>	<u>(8,211)</u>	<u>-5.9%</u>
Operating Loss	(40,878)	(42,448)	1,570	-3.7%
Non-Operating Revenue				
State appropriation	35,415	34,825	590	1.7%
Gifts	802	806	(4)	-0.5%
Int and investment income	78	66	12	18.2%
Other	3,074	3,555	(481)	-13.5%
Capital appropriation	118	2,742	(2,624)	-95.7%
Add to perm endow.	3,045	1,296	1,749	135.0%
	<u>42,532</u>	<u>43,290</u>	<u>(758)</u>	<u>-1.8%</u>
Operating Revenue	90,820	97,461	(6,641)	-6.8%
Non-Operating Revenue	42,532	43,290	(758)	-1.8%
Total Revenue	<u>\$ 133,352</u>	<u>\$ 140,751</u>	<u>\$ (7,399)</u>	<u>-5.3%</u>
Total Operating Expense	<u>\$ 131,698</u>	<u>\$ 139,909</u>	<u>\$ (8,211)</u>	<u>-5.9%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2013

Statement of Cash Flows

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

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

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

Comparison of Budget to Actual

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

The Original Budget and the Final Budget are compared to Actual Revenues and Expenditures to reflect the changes in the original budget at New Mexico Tech 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. The budget is adjusted twice a year with a Budget Adjustment Request (BAR) that is filed and approved by the Higher Education Department and the New Mexico Department of Finance (DFA).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2013

Capital Asset and Debt Administration

The New Mexico Legislature 2012 session approved a General Obligation bond for \$18 million for construction of a new Bureau of Geology and Mineral Resources Building on the New Mexico Tech campus. The estimated cost of the building and related projects is \$24 million. The building will be located on Bullock Avenue between the New Mexico Tech Joe Skeen Library, the MSEC Building. Architectural designs were completed. The bond was approved in the 2012 November general election. The 2013 New Mexico Legislature approved an additional \$6 million to fully fund the construction cost. The new funds will be provided by the State of New Mexico 2013 Severance Tax Bonds.

A bid was issued for the building construction. The Board of Regents approved the recommendation of the committee at the October 31, 2013 board meeting.

The Fall 2013 freshman and transfers enrollment is 417. This is a decrease of 36 students compared to the same cohort in Fall 2012 of 453. The Fall 2012 was the largest enrollment class at New Mexico Tech.

The construction of the new Steve S. Torres Dormitory was completed on schedule, August 2013, in time for the Fall 2013 semester. Construction was fund by:

The Board of Regents of New Mexico Institute of Mining and Technology System Revenue Bonds, Series 2011.

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

Total proceeds deposited from the bond sale, including the premium and after cost of issuance, was \$14,041,092. \$11 million was dedicated to the construction of the new dormitory and related projects, and \$3 million is dedicated for equipment and construction of the Magdalena Ridge Observatory project.

Currently Known Facts

Enrollment

Enrollment at New Mexico Tech continues to increase slightly for the last seven Institute years. Student credit hours by fiscal year are as follows:

- FY 07 student credit hours 44,419;
- FY 08 student credit hours 44,985;
- FY 09 student credit hours 44,822;
- FY 10 student credit hours 44,755;
- FY 11 student credit hours 45,631;
- FY 12 student credit hours 46,003;
- FY 13 student credit hours 48,060.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2013

Currently Known Facts – Continued

The Higher Education Department 2013 funding formula generated an increase in state funding for instruction and general (I&G); however, the state revenue budget continued to be flat and will remain relatively flat for 2015. New Mexico Tech's I&G budget for FY 2014 is \$26.7 million compared to \$25.8 million in FY 2013. I&G funding is still less than the peak funding in FY 2009.

The New Mexico Tech faculty and administration have continued to deliver a quality education to the student, even with the reduced budgets. The reduction in expenditure budgets was absorbed by the departments with increased teaching loads, attrition in the work force, and redistribution of the administrative workloads. The goal of no staff layoffs was accomplished for the last five years. However, as the enrollment grew the pressure for new faculty increased. New Mexico Tech funding increase for FY 2014 helped replace faculty lost due to budget cuts. As a whole, New Mexico Tech was able to adjust and manage the budget cuts that began in 2009.

Students that graduate from New Mexico Tech continue to get entry level employment in the \$60,000 dollar and above pay range. This is a testament to the quality of the education received by New Mexico Tech graduates.

Higher Education Funding Formula

The funding formula for higher education in New Mexico was revamped 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 certificate), work force incentives (STEMH), at risk student enrollment (Pell Eligible) and sector-specific measures. The 2014 state fund for higher education is based on the new funding formula. The New Mexico Higher Education Department and the universities are working on the 2015 budget. No major increase in funding is expected.

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.

Any additional funding for the university will be offset, by costs such as required benefit contributions to the Educational Retirement Board and health insurance costs. Faculty and staff salaries are also of concern. When salaries are compared to our peer institutions, New Mexico is beginning to fall behind.

Fixed cost, such as health insurance, utilities and risk management insurance, continue to increase. Medical and prescription benefit payments continue to increase. Health insurance costs will impact both the employees and New Mexico Tech.

New Mexico Tech employees received a 2% salary increase across the board for FY 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2013

Currently Known Facts – Continued

Utility unit cost as well as consumption continues to increase as the campus adds more buildings to meet the needs of a larger student body and increased power demand. The additional costs have been absorbed by the budget. The state funding for utilities has not increased for years. New Mexico Tech has installed monitoring system for each building on campus to help monitor the electric consumption on campus. By isolating the areas of high demand efforts will be made to reduce unnecessary consumption.

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 the students. Most students have hands-on experience in their major field of study because of the research programs at New Mexico Tech. This is a rare opportunity for students, and it is provided by only a select few universities in the world.

NMIMT's Incurred Cost Audit report shows that externally funded research activity has declined during the current year as indicated below:

FY13	\$64,484,322
FY12	\$70,182,241
FY11	\$89,011,611
FY10	\$88,229,977
FY09	\$86,804,777

Research and other sponsored activities at New Mexico Tech declined from \$70 million in 2012 to \$64.5 million in 2013. The biggest impact was the reorganization of the Playas Training Center whose total expenditures for FY13 was \$8.5 million less than 2012. However, the reorganization that took place in 2012, to date, is successful. The new business plan increased the Institute's ability to operate without the burden of unnecessary overhead.

New Mexico Tech federal research programs continue to be impacted by the federal government's cutbacks in Washington D.C. and their use of the continuing resolutions to fund the federal budget. The 2013 federal government shutdown did not impact the current programs at New Mexico Tech.

The Bureau of Geology and Mineral Resources and the Petroleum Research and Recovery Center are operating within their budget. New Mexico Research and Public Service funding was stable from 2012 to 2013. It is expected to remain unchanged for 2014, as the funding request to the Higher Education Department was flat.

The Petroleum Research and Recovery Center's research expenditures increased from \$4.1 million to \$6.8 million in 2013 because of a Department of Energy contract on carbon sequestration.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2013

Research - Continued

The Energetic Materials Research and Testing Center (EMRTC) research programs were flat for FY13 compared to FY14. The \$20 million training program with Homeland Security Department was renewed. It is a premier training programmer for first responders in the United States.

The Magdalena Ridge Observatory interferometer is still under construction, but completion is expected to be on schedule. Future funding for the interferometer is highly dependent on the federal government approving a new federal budget. The single telescope is operational and has participated in many astronomical projects. Funds are available for interferometer from 2012 for the New Mexico Tech Revenue Bond to equip and construct the facility.

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

Economic Outlook

The economic outlook for New Mexico Tech for the next three to four years continues to be closely monitored by the administration, and is highly 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 to minimize the impact of state funding to New Mexico Tech. Although the recent revenue forecast for the State of New Mexico is promising, future funding for higher education will be offset by increased operational cost. 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. However, pressure is beginning to grow for faculty and staff because salary increases have not kept up with peer institutions.

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 USA.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED

Year Ended June 30, 2013

Capital Projects

The Magdalena Ridge Observatory construction is still a work in progress. The total project is estimated at \$60 million. The first phase of the construction, the single telescope, is completed and operational. The second phase of the construction, the interferometer, is expected to be complete and operational within the next two years.

Bids for the construction of Bureau of Geology and Natural Resources building were accepted in October 2013. Construction is estimated to begin in December 2013 or early 2014. The completion date is estimated in July 2015.

Presidents Hall is a dormitory built in 1934. Renovations have been made over the life of the building, however, the repairs to building's mechanical system are happening more frequently. The building has been taken off line to upgrade, replace and repair all the mechanical systems. The estimated cost of the project is \$1.6 million. The project will be funded with Auxiliary Services reserves. The estimated completion date of the project is August 2014.

Bids were issued October 2013. A contractor has been selected. Construction is expected to begin December 2013.

Requests for Information

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

New Mexico Institute of Mining and Technology

STATEMENT OF NET POSITION

June 30, 2013

	Institute	Component Units	
		Research Park	Foundation
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 34,841,632	\$ 29,855	\$ 731,804
Short-term investments	23,370,692	-	-
Contract and grant receivables	8,965,795	-	-
Student accounts receivable, net of allowance for doubtful accounts of \$419,277	412,580	-	-
Other accounts receivable	2,046,239	-	265,258
Inventories	1,327,885	-	-
Other assets	2,306,815	-	-
Total current assets	73,271,638	29,855	997,062
Noncurrent Assets			
Restricted cash and cash equivalents	47,258	-	-
Endowment investments	28,283,733	-	-
Other long-term investments	37,765,228	81,560	19,847,638
Capital assets, net of accumulated depreciation	140,310,795	-	1,337,953
Total noncurrent assets	206,407,014	81,560	21,185,591
Total assets	\$ 279,678,652	\$ 111,415	\$ 22,182,653

The accompanying notes are an integral part of this financial statement.

New Mexico Institute of Mining and Technology

STATEMENT OF NET POSITION - CONTINUED

June 30, 2013

	Institute	Component Units	
		Research Park	Foundation
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 7,675,370	\$ -	\$ 38,360
Accrued compensated absences - current portion	3,241,000	-	-
Due to primary government	-	39,078	-
Other liabilities	-	-	1,319,506
Deposits	223,570	-	-
Deferred revenue	963,550	-	-
Total current liabilities	12,103,490	39,078	1,357,866
Noncurrent Liabilities			
Accrued compensated absences	3,970,979	-	-
Bonds payable	12,525,000	-	-
Bonds premium, net of accumulated amortization	736,777	-	-
Other noncurrent liabilities	5,201,611	-	-
Total noncurrent liabilities	22,434,367	-	-
Total liabilities	34,537,857	39,078	1,357,866
NET POSITION			
Net investment in capital assets	127,785,795	-	1,337,953
Restricted for			
Nonexpendable			
Endowments and all other nonexpendable	66,395,973	-	2,207,171
Expendable			
Scholarships, research, instruction, and other	4,404,400	-	-
Loans	1,694,244	-	-
Capital projects	6,357,584	-	-
Debt service	-	-	-
Unrestricted	38,502,799	72,337	17,279,663
Total net position	245,140,795	72,337	20,824,787
Total liabilities and net position	\$ 279,678,652	\$ 111,415	\$ 22,182,653

The accompanying notes are an integral part of this financial statement.

New Mexico Institute of Mining and Technology

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

June 30, 2013

	Institute	Component Units	
		Research Park	Foundation
OPERATING REVENUES			
Tuition and fees	\$ 12,593,447	\$ -	\$ -
Tuition discounts and allowances	(3,503,411)	-	-
Federal grants and contracts	45,361,725	-	-
State and local grants and contracts	2,890,933	-	-
Private grants and contracts	13,219,823	-	-
Other grants and contracts	4,145,588	-	-
State land and permanent fund income	3,822,740	-	-
Sales and services of auxiliary enterprises	5,845,494	-	-
Auxiliaries scholarship allowances	(1,214,211)	-	-
Other	7,658,161	-	90,150
Total operating revenues	90,820,289	-	90,150
EXPENSES			
Instruction and general			
Instruction	16,330,544	-	-
Institutional support	7,281,531	-	-
Operations and maintenance support	6,194,434	-	-
Student services	2,051,725	-	-
Academic support	1,759,865	-	-
Other sponsored activities	40,414,121	-	-
Research	24,821,781	-	-
Depreciation and amortization	9,452,634	-	59,932
Student aid grants and stipends	8,718,434	-	-
Other expenditures	7,892,295	14,904	1,090,195
Auxiliary enterprises	5,274,926	-	-
Independent operations	3,728,153	-	-
Plant funds	1,867,448	-	-
Public service	627,981	-	-
Expense related to tuition discounts and allowances	(4,717,622)	-	-
Total operating expenses	131,698,250	14,904	1,150,127
Operating loss	(40,877,961)	(14,904)	(1,059,977)

The accompanying notes are an integral part of this financial statement.

New Mexico Institute of Mining and Technology

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

June 30, 2013

	Institute	Component Units	
		Research Park	Foundation
NONOPERATING REVENUES			
State appropriations	35,414,951	-	-
Gifts	802,147	-	22,768
Interest and investment income	77,854	22,434	2,690,103
Net nonoperating revenues	36,294,952	22,434	2,712,871
(Loss) Income before other revenues and expenses	(4,583,009)	7,530	1,652,894
OTHER REVENUES			
Other	3,074,302	-	-
Additions to permanent endowments	3,045,526	-	-
Capital appropriations	118,365	-	-
Net other revenues	6,238,193	-	-
Net increase in net position	1,655,184	7,530	1,652,894
Net position, beginning of year	243,485,611	64,807	19,171,893
Net position, end of year	<u>\$ 245,140,795</u>	<u>\$ 72,337</u>	<u>\$ 20,824,787</u>

The accompanying notes are an integral part of this financial statement.

New Mexico Institute of Mining and Technology

STATEMENT OF CASH FLOWS

June 30, 2013

	Institute	Component Units	
		Research Park	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES			
Tuition and fees	\$ 9,031,774	\$ -	\$ -
Grants and contracts	68,402,265	-	-
Sales and services of auxiliary enterprises	4,631,283	-	-
Other receipts	12,357,352	213	112,918
Payments to employees	(68,366,276)	-	-
Payments to suppliers	(53,648,318)	-	-
Other sources	-	(14,905)	(1,447,239)
Net cash used in operating activities	(27,591,920)	(14,692)	(1,334,321)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State appropriations	35,414,890	-	-
Gifts for other than capital purposes	802,147	-	-
Other nonoperating receipts	3,074,302	-	-
Net cash provided by noncapital financing activities	39,291,339	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(12,070,537)	-	-
Payments of principal on bond obligations	(491,380)	-	-
Payments of interest on bond obligations	(574,734)	-	-
Capital appropriations	118,365	-	-
Proceeds from disposal of capital assets	25,319	-	-
Net cash used in capital and related financing activities	(12,992,967)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of investments, net	835,054	-	1,500,000
Additions to endowments	2,163,169	-	-
Unrealized gain on land grant permanent fund	3,515,397	-	-
Distributions received	(1,069,736)	-	-
Cash received for notes receivable, net	-	30,000	67,487
Investment income	992,413	-	118,259
Net cash provided by investing activities	6,436,297	30,000	1,685,746
Net increase in cash and cash equivalents	5,142,749	15,308	351,425
Cash and cash equivalents, beginning of year	29,646,141	14,547	380,379
Cash and cash equivalents, end of year	\$ 34,788,890	\$ 29,855	\$ 731,804
Cash and cash equivalents			
Unrestricted	\$ 34,841,632	\$ 29,855	\$ 731,804
Restricted	47,258	-	-
Total	\$ 34,888,890	\$ 29,855	\$ 731,804

The accompanying notes are an integral part of this financial statement.

New Mexico Institute of Mining and Technology

STATEMENT OF CASH FLOWS - CONTINUED

June 30, 2013

	Institute	Component Units	
		Research Park	Foundation
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating loss	\$ (40,877,961)	\$ (14,904)	\$ (1,059,977)
Adjustments to reconcile operating (loss) income to net cash used by operating activities			
Depreciation and amortization expense	9,452,634	-	-
Loss on sale of assets	169,563	-	59,932
Changes in assets and liabilities			
Student accounts receivable	(98,338)	-	-
Inventories	263,716	-	-
Other assets	20,604	212	-
Contract and grant receivables	4,244,990	-	-
Other receivables	876,451	-	-
Accounts payable and accrued expenses	324,175	-	-
Other liabilities	-	-	(503,504)
Deferred revenue	(1,460,794)	-	-
Student and other deposits	19,472	-	-
Compensated absences	(728,043)	-	-
Other payables	201,611	-	169,228
Net cash used in operating activities	<u>\$ (27,591,920)</u>	<u>\$ (14,692)</u>	<u>\$ (1,334,321)</u>

The accompanying notes are an integral part of this financial statement.

New Mexico Institute of Mining and Technology

STATEMENT OF FIDUCIARY POSITION AND LIABILITIES - AGENCY FUNDS

Year Ended June 30, 2013

ASSETS	
Cash	\$ 154,570
Due from NMIMT	242,975
Short-term investments	<u>1,088,411</u>
Total assets	<u>\$ 1,485,956</u>
LIABILITIES	
Accounts payable	\$ -
Due to NMIMT	1,750,000
Other accrued liabilities	1,004
Claims incurred but not reported	700,000
Deposits held in custody for others	<u>(965,048)</u>
Total liabilities	<u>\$ 1,485,956</u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

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

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

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

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

2. Reporting Entity

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Reporting Entity – Continued

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

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

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

3. Basis of Accounting

For financial reporting purposes, under GASB 34, GASB 35, and NM State Audit Rule, the Institute is considered a special-purpose government engaged only in business-type activities. 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-agency transactions have been eliminated. Deferred inflows and deferred outflows of resources are now included in the elements that make up a statement of financial position and GASB 63 introduces the term "net position" for reporting the residual of all elements in a statement of financial position. See Note M for more information on the implementation of GASB 63 for the year ended June 30, 2013. There were no deferred outflows or inflows to report.

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. Upon incurring an allowable cost, the

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basis of Accounting - Continued

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 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.

The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the Institute's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required.

4. Estimates

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

5. Budget

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

Procedures for Approval of Operating Budgets

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Budgetary Basis and Control

Under Title 5 of the New Mexico Administrative Code, Chapter 3, part 4, paragraph 10 – Items of Budgetary Control: total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary basis are as follows: (1) unrestricted and restricted expenditures are considered separately; (2) total expenditures in instruction and general; (3) total expenditures of each budget function in current funds other than instruction and general; and (4) within the plant funds budget, the items of budgetary control are major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service. Budget revisions must be approved by the executive secretary of the New Mexico Department of Higher Education and then by the Budget Division of the Department of Finance and Administration.

7. Cash and Cash Equivalents

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

8. Restricted Cash and Cash Equivalents

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

9. Investments

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

Investments are made in accordance with the Constitution of the State of New Mexico and the policies of the Board of Regents. The investment policy will be structured in accordance with the Uniform Prudent Investor Act, NMSA 47-7 (601-612) by Board Resolution during December 2013.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Investments - Continued

The Institute accounts for its investment portfolio at the fair market value on June 30 of each fiscal year. Endowment income is reported each year based on the fair market value of the investments. The investments are managed on a total return basis with 4.5% of the average five year market value being made available for expenditure, and the remaining returns retained in the funds to compensate for inflationary growth. In the case of reserves, allocated, and agency funds, the total returns will remain with the funds until these funds are required to be expended for the purposes for which they were established. Capital gains reported for the endowment fund pooled investments for fiscal year ending June 30, 2013 were \$2,731,920. Endowment income made available for distribution for the established purpose was \$895,351. The Institute plans to adopt the State of New Mexico Uniform Prudent Management of Institutional Funds Acts (Chapter 46, Article 9, NMSA 1978) in accounting for net appreciation/depreciation of endowments effective July 1, 2012.

10. Inventory

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

11. Income Taxes

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

12. Accounts Receivable

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

The allowance for doubtful accounts includes consideration for the credit risk associated with the various receivables. This allowance is attributed to accounts that have been deemed to be 100% uncollectible.

13. Other Receivables

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. Other Assets

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

15. Noncurrent Cash and Investments

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

16. Capital Assets

This represents the Institute's capital assets less depreciation, net of any outstanding debt obligations related to those capital assets. Capital assets are defined as tangible or intangible assets that are used in operations and have a useful life beyond a single reporting period. The Institute has bond obligations related to capital assets for 2013 (see Note F).

Property, plant, and equipment purchased or acquired at a value of \$5,000 or greater are capitalized per Section 12-6-10 NMSA 1978. All capital assets are valued at historical cost or estimated historical cost if actual history is not available. Donated assets, or those contributed by other governmental entities, are valued at their estimated fair market value on the date donated. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are 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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

17. Compensated Absences

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

18. Deferred Income

Revenue for each academic session is reported within the fiscal year during which the session is completed. Revenues for the summer session starting in May 2013 are shown as deferred income in the accompanying financial statements since the session was not completed at June 30, 2013. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

19. Noncurrent Liabilities

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

20. Net Position

The Institute's net position is classified as follows:

Net Investment in Capital Assets: Net investment in capital assets represent the Institute's capital assets, less related accumulated depreciation and debt attributable to the acquisition, construction, or improvement of these assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. The Institute has bond obligations of \$12,525,000 for purposes of constructing a dormitory and an educational building. Total costs incurred for the dorm project at June 30, 2013 total \$7,205,539.

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

20. Net Position - Continued

Restricted Net Position – Expendable: Expendable restricted net position include resources which the Institute is obligated to spend in accordance with restrictions imposed by external parties. Restrictions imposed on asset use can be imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation which includes a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party to use resources created by enabling legislation only for purposes specified by the legislation. The amount of net position restricted by enabling legislation and the amount of restricted net position from state sources was \$0 at June 30, 2013.

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

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

21. Revenues

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

22. Classification of Expenses

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

Operating expenses: Operating expenses include activities that have the characteristics of exchange transactions, such as (1) employee salaries, benefits, and related expenses; (2) utilities, supplies, and other services; (3) professional fees; and (4) depreciation expenses related to Institute property, plant, and equipment.

Non-operating expenses: Non-operating expenses include activities that have the characteristics of non-exchange transactions, such as interest on capital asset-related debt and other expenses that are defined as non-operating expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 34.

23. Budgetary Process

Operating budgets are submitted for approval by the Board of Regents, the New Mexico Higher Education Department (HED), and the New Mexico Department of Finance and Administration-State Budget Division (DFA). Similarly, budget adjustment requests are submitted to and approved by the Board of Regents, then forwarded to the HED and DFA.

24. Fiduciary Funds

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

25. Appropriations

In general, unexpended state appropriations to the Institute do not revert at the end of each fiscal year. The Institute received an annual non-reverting state General Fund appropriation of \$35,414,951 for fiscal year 2013, Laws of 2012, Chapter 19, Section 4. The appropriation was fully spent during the year. None of the current appropriations received are subject to reversion (NMSA 1978 6-4-2). There is no remaining balance to bring forward to fiscal year 2014.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

26. Land Grant Permanent Fund Income

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

27. Subsequent Events

Subsequent events have been evaluated through November 12, 2013, the date which the financials were available to be issued, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2013. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

NOTE B – CASH AND INVESTMENTS

1. Cash

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

A detail of the cash accounts at June 30, 2013 is included below:

New Mexico Institute of Mining and Technology:

<u>Name of Depository</u>	<u>Account Name</u>	<u>Bank Account Type</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Bank of America	IERA Cash on Deposit	Checking	\$ 5,955	\$ (1)	\$ 5,954
First State Bank	Comptroller Cash on Deposit	Checking	35,522,616	341,599	35,864,215
First State Bank	Payroll Cash on Deposit	Checking	78,090	(1,240,654)	(1,162,564)
First State Bank	NMEAF Cash on Deposit	Checking	42,631	4,498	47,129
First State Bank	Stafford Loan Cash on Deposit	Checking	17,057	-	17,057
First State Bank	MRO Cash on Deposit	Checking	129	-	129
Wells Fargo	Vendor Cash on Deposit	Checking	706,549	(711,748)	(5,199)
			36,373,027	(1,606,306)	34,766,721
	Petty Cash	Cash	-	-	22,169
	Certificate of Deposit	CD	100,000	-	100,000
			<u>\$ 36,473,027</u>	<u>\$ (1,606,306)</u>	<u>\$ 34,888,890</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – CASH AND INVESTMENTS – CONTINUED

1. Cash – Continued

Agency Fund:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Reconciled Balance
Wells Fargo	Employee Ben. Trust Operating	Checking	\$ 156,563	\$ (3,078)	\$ 153,485
Wells Fargo	Employee Ben. Trust Claims	Checking	180,955	(179,870)	1,085
			<u>\$ 337,518</u>	<u>\$ (182,948)</u>	<u>\$ 154,570</u>

2. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Institutions deposits may not be returned to it. The Institution does not have a deposit policy for custodial credit risk. As of June 30, 2013, the Institute's custodial credit risk was as follows:

Bank balance insured or collateralized:

In the Institute's name	\$ 35,670,466
Uninsured and uncollateralized	<u>1,140,079</u>
	<u>\$ 36,810,545</u>

The remaining balance of \$23,436,143 in the local government investment pool is valued by the State Treasurer. The Institute has adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*.

3. Investments

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – CASH AND INVESTMENTS – CONTINUED

3. Investments – Continued

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

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government pool is voluntary and the Institute has no control over the State Treasurer's investment pools.

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 MexiGROW* LGIP:

June 30, 2013			
<i>New MexiGROW</i> LGIP	AAAm rated	\$23,436,143	59 day WAM

Investments of the Institute consist of the following at June 30, 2013:

	<u>Market Value</u>
Short-term	\$ 23,370,692
Endowment	28,283,733
Other long-term	<u>37,765,228</u>
	89,419,653
Agency fund	<u>1,088,411</u>
	<u>\$ 90,508,064</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – CASH AND INVESTMENTS – CONTINUED

3. Investments – Continued

A summary of the Institute's investments at June 30, 2013 and its exposure to custodial credit risk are as follows:

	Investments Exposed To Custodial Credit Risk		All Investments Regardless of Custodial Credit Risk Exposure
	Uninsured, Unregistered and Held by Counterparty Agency not in the Institute's Name	Uninsured, Unregistered and Held by Counterparty Agency not in the Institute's Name	Fair Value
Money funds	\$ -	\$ -	\$ 426,147
Certificate of deposit	-	-	100,000
Mutual funds	-	-	64,023
	\$ -	\$ -	590,170
Investments not subject to categorization			
State Investment Council pooled funds			
Fixed income securities			25,522,743
Equity securities			13,952,628
			39,475,371
State Treasurer			23,436,143
State Investment Council - Permanent Fund			24,410,749
Common stocks			2,015,710
Debt securities			579,921
			50,442,523
Total investments			\$ 90,508,064

4. State Investment Council Assets

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – CASH AND INVESTMENTS – CONTINUED

5. Custodial Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. 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 U.S. banks. Exclusive of the U.S. government and agency issues, all other fixed income portfolio will be "A" or better rated as established by a recognized rating service and further reinforced by independent in-house credit analyses.

A summary of the investments at June 30, 2013 and their 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	\$ 426,147
Debt securities	3.20	A-AAA	579,921
State Treasurer - LGIP	0.17	AAAm	23,436,143
<i>Investments not subject to categorization</i>			
State Investment Council pooled funds		Not rated	<u>39,475,371</u>
Total items subject to credit risk			63,917,582
<i>Items not subject to credit risk:</i>			
Mutual funds	-	Not rated	64,023
Certificate of deposit	-	Not rated	100,000
Common stocks	-	Not rated	2,015,710
Land grant permanent fund		Not rated	<u>24,410,749</u>
Total items not subject to credit risk			<u>26,590,482</u>
Total investments			<u><u>\$ 90,508,064</u></u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – CASH AND INVESTMENTS – CONTINUED

6. Interest Rate Risk - Debt Investments

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

A summary of the investments and their respective maturities at June 30, 2013 and their exposure to interest rate risk are as follows:

	Investment Maturities				Fair Value
	Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years	
<i>Items subject to interest rate risk:</i>					
Money funds	\$ 426,147	\$ -	\$ -	\$ -	\$ 426,147
U.S. Government and corporate debt securities	51,674	421,586	105,725	936	579,921
Certificates of deposit	100,000	-	-	-	100,000
Mutual funds	64,023	-	-	-	64,023
	<u>\$ 641,844</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	1,170,091
Investments not subject to categorization					
State Treasurer - 59 day weighted average maturity					23,436,143
State Investment Council					
Pooled funds (not rated)					39,475,371
Land Grant Permanent Fund (not rated)					24,410,749
					<u>88,492,354</u>
<i>Items not subject to interest rate risk:</i>					
Common stocks					2,015,710
					<u>2,015,710</u>
Total investments					<u>\$ 90,508,064</u>

New Mexico Institute of Mining and Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2013:

Grant and contracts	\$ 8,965,795
Students	831,857
Other receivables	2,046,239
	<hr/>
Total receivables	11,843,891
Allowance for doubtful accounts	(419,277)
	<hr/>
Net receivables	<u>\$ 11,424,614</u>

NOTE D – CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Transfers	Retirements	Balance June 30, 2013
Land	\$ 4,334,220	\$ -	\$ -	\$ -	\$ 4,334,220
Other	102,841	-	(102,841)	-	-
Construction in progress	5,761,647	8,968,005	(3,733,009)	-	10,996,643
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets not being depreciated	\$ 10,198,708	\$ 8,968,005	\$ (3,835,850)	\$ -	\$ 15,330,863
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Non-major infrastructure networks	\$ 30,076,297	\$ 169,611	\$ -	\$ -	\$ 30,245,908
Land improvements	4,704,506	559,511	-	-	5,264,017
Buildings	152,263,748	2,679,016	-	-	154,942,764
Furniture, fixtures, and equipment	58,237,428	2,013,573	102,841	(15,601,059)	44,752,783
Software	1,639,130	106,147	-	-	1,745,277
Library materials	15,448,826	1,038,057	-	(373,427)	16,113,456
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total depreciable capital assets	\$ 262,369,935	\$ 6,565,915	\$ 102,841	\$ (15,974,486)	\$ 253,064,205
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Non-major infrastructure networks	\$ (9,625,393)	\$ (998,798)	\$ -	\$ -	\$ (10,624,191)
Land improvements	(2,489,902)	(166,142)	-	-	(2,656,044)
Buildings	(63,489,693)	(4,934,991)	-	-	(68,424,684)
Furniture, fixtures, and equipment	(46,690,880)	(2,538,254)	-	13,803,171	(35,425,963)
Software	(300,507)	(166,482)	-	-	(466,989)
Library materials	(10,211,862)	(647,967)	-	373,427	(10,486,402)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	\$ (132,808,237)	\$ (9,452,634)	\$ -	\$ 14,176,598	\$ (128,084,273)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets summary					
Capital assets not being depreciated	\$ 10,198,708	\$ 8,968,005	\$ (3,835,850)	\$ -	\$ 15,330,863
Depreciable capital assets, at cost	262,369,935	6,565,915	102,841	(15,974,486)	253,064,205
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total cost of capital assets	272,568,643	15,533,920	(3,733,009)	(15,974,486)	268,395,068
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation	(132,808,237)	(9,452,634)	-	14,176,598	(128,084,273)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets, net	\$ 139,760,406	\$ 6,081,286	\$ (3,733,009)	\$ (1,797,888)	\$ 140,310,795
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE E – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013 is as follows:

	Balance			Current	
	June 30, 2012	Increases	Decreases	Balance	Portion
				June 30, 2013	(Due in 2014)
Non-current liabilities					
Accrued compensated absences	\$ 7,940,022	\$ 2,733,659	\$ (3,461,702)	\$ 7,211,979	\$ 3,241,000
Environmental cleanup	5,000,000	201,611	-	5,201,611	-
Bonds payable	12,975,000	-	(450,000)	12,525,000	- *
Bond premium, net	778,157	-	(82,760)	695,397	-
	<u>\$ 26,693,179</u>	<u>\$ 2,935,270</u>	<u>\$ (3,994,462)</u>	<u>\$ 25,633,987</u>	<u>\$ 3,241,000</u>
Total assets not being depreciated	\$ 26,693,179	\$ 2,935,270	\$ (3,994,462)	\$ 25,633,987	\$ 3,241,000

* The Institute paid the principal payment due July 1, 2013 prior to June 30, 2013.

1. Environmental Cleanup

New Mexico Tech is preparing a complaint to be filed in the United States Court of Federal Claims against the United States that will seek equitable contract adjustment, restoration of property and damages for the cleanup of sites and facilities on the Institute's property that are contaminated with depleted uranium (DU). As part of the Government's weapons and munitions research and development during the years 1972 to 1992, munitions containing DU which is a heavy metal and has very low level radioactivity were tested at what is now known as 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.

The pending claim seeks damages to cover the cleanup on the basis of breach of contract in the United States Court of Federal Claims. If this action is unsuccessful, 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 \$5,201,611 within non-current liabilities as of June 30, 2013.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE F – BONDS PAYABLE

Long-term debt of the Institute at June 30, 2013 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.

The Institute has pledged future net income and net revenues received from Institute-owned Auxiliary Enterprises and 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 1% of pledged revenues.

Total Institute revenue bonded debt is as follows:

Purpose	Interest Rates	Amount
Capital improvements	3.00-5.00%	<u>\$ 12,525,000</u>

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

Year Ended June 30,	Principal	Interest
2014	\$ -	\$ -
2015	460,000	602,550
2016	490,000	581,850
2017	500,000	557,350
2018	525,000	537,350
2019	540,000	516,350
2020-2024	3,130,000	2,197,750
2025-2029	3,980,000	1,340,500
2030-2032	<u>2,900,000</u>	<u>294,750</u>
Total	<u>\$ 12,525,000</u>	<u>\$ 6,628,450</u>

A bonds premium of \$736,777 remains unamortized as of June 30, 2012 with \$41,380 being amortized during the year. The Institute prepaid the bond principal of \$450,000 on June 30, 2013 which was due July 1, 2013, therefore no current portion is due.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE G – EMPLOYEE BENEFITS

1. Employee Benefit Trust

The Board of Regents authorized the creation of the New Mexico Tech Employees Benefit Trust (Trust), a contributory benefit plan, to operate, control and maintain a program to provide certain health and life insurance benefits to the employees of the Institute and their families. Retired employees may participate in the Plan, but must pay the full amount of their premiums. The Plan is therefore not considered a post-employment benefit plan as defined by GASB 43, *Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans*. The Trust is recorded as an agency fund in the accompanying financial statements. The Board of Regents serves as trustee and has delegated the day-to-day operations of the Trust to the executive staff of the Institute. The Institute contributed \$4,055,526 and employees and others contributed \$3,912,290 to the Trust during the year ended June 30, 2013. At June 30, 2013, the Institute's maximum annual liability exposure under the Trust is \$135,000 per individual and \$2,000,000 in the aggregate.

As of June 30, 2013, the changes in reserves for claims and claims adjustment expenses are as follows:

Liability for claims and claims adjustment expenses at beginning of year	\$ 1,317,441
Incurred claims and claims adjustment expenses	7,686,787
Payments, net of recoveries	<u>(8,304,228)</u>
Liability for claims and claims adjustment expenses at end of the year	<u>\$ 700,000</u>

The Trust has not obtained an actuarial study of the potential unfunded Other Post Employment Benefits (OPEB) liability as required under GASB 45. The amount of potential unfunded liability is therefore not disclosed.

2. Workers' Compensation Insurance

The Institute is insured for workers' compensation through the State of New Mexico General Services Department – Risk Management Division (RMD). RMD provides workers' compensation for all employees as required by state law. The Institute remits payments to RMD for this coverage based on premium statements received from RMD. Total premiums for the year ended June 30, 2013 was \$661,151, which has been charged to expenditures.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE G – EMPLOYEE BENEFITS – CONTINUED

3. Defined Benefit Retirement Plan

Plan Description. Substantially all of the Institute's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of state public Institute districts, colleges, and universities) and beneficiaries.

ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy. Effective July 1, 2012, plan members are required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.4% of their gross salary. The Institute is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less and 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the Institute are established in state statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Institute's contributions to ERB for fiscal years ending June 30, 2013, 2012, and 2011 were \$7,752,414, \$7,957,492, and \$7,758,786, respectively, which is equal to the amount of the required contributions for each fiscal year.

NOTE H – COMMITMENTS AND CONTINGENCIES

1. Operating Leases

The Institute is obligated under certain lease (rental) agreements, which are accounted for as operating leases. Incorporated in each lease agreement is a fiscal funding clause, which allows the Institute to cancel the operating lease if funding for future periods is not appropriated. The likelihood of such an occurrence is considered to be remote by the Institute. Rent expense for June 30, 2013 is \$560,932.

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE H – COMMITMENTS AND CONTINGENCIES – CONTINUED

1. Operating Leases – Continued

Years Ending June 30,

2014	\$	184,394
2015		119,623
2016		104,637
2017		58,944
2018		47,360
2019 - 2023		180,000
2024 - 2028		180,000
2029 - 2031		96,000
		96,000
	\$	970,958

2. Contingencies

Reimbursements for amounts expended by the Institute under the terms of federal and state grants and contracts are subject to audit and possible adjustments by the granting agency. Grants and contracts for the years ended June 30, 2013, are pending audits by federal and state agencies. It is the opinion of Institute management that adjustments, if any, will not have a material effect on the Institute's financial position or results of operations.

3. State Risk Management Pool

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

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

The Institute participates in the State of New Mexico Risk Management Program (Risk Management), which provides liability, medical malpractice, 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. No lawsuit settlements or outcomes have exceeded insurance coverage for the last 3 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE H – COMMITMENTS AND CONTINGENCIES – CONTINUED

4. Other Commitments

At June 30, 2013, 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 \$22,508,032.

Construction obligations of \$3,774,032 are not presented in the financial statements. These obligations represent unfinished contracts with various entities at June 30, 2013.

NOTE I – BOND APPROPRIATION ACCOUNTING

The Institute has periodically received severance tax and general obligation bond appropriations 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 funds is submitted and approved by the Board of Finance.

NOTE J – RECONCILIATION OF BUDGET BASIS TO GAAP

Budget basis revenues	\$ 139,936,089
Tuition discounts and allowances	(4,717,622)
Indirect cost recovery	(7,043,775)
Cost share adjustment	(550,323)
Additions to endowments	3,045,526
Deposits held for other	47,948
Unbudgeted exhibits	<u>2,635,591</u>
Revenues per GAAP	<u>\$ 133,353,434</u>
Budget basis expenditures	\$ 143,317,380
Tuition discounts and allowances	(4,717,622)
Indirect cost recovery	(7,043,775)
Capital expenditures	(2,237,775)
Capital asset adjustment	(8,749,298)
Research adjustment	(46,500)
Deposits held for other	37,580
Depreciation expense	9,452,634
Unbudgeted exhibits	<u>1,685,626</u>
Expenses per GAAP	<u>\$ 131,698,250</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE K – THE NEW MEXICO TECH RESEARCH FOUNDATION

1. Cash and Cash Equivalents

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

2. Investments

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

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

3. Charitable Remainder Unitrust

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

4. Capital Assets

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

5. Amortization

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

6. 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE K – NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

7. Income Taxes

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

8. Cash and Bank Deposits*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. The Foundation does not have a deposit policy for custodial credit risk and does not require collateral. As of June 30, 2013, the Foundation's deposits were exposed to custodial credit risk as follows:

	First State	Wells Fargo	Bank of America	Total
Total of deposits in the bank	\$ 564,342	\$ 10,475	\$ 150,067	\$ 724,884
FDIC coverage	(296,081)	(23,970)	(33,688)	(353,739)
Total uninsured funds	<u>\$ 268,261</u>	<u>\$ (13,495)</u>	<u>\$ 116,379</u>	<u>\$ 371,145</u>
Custodial credit risk-deposits				
Account balance				\$ 724,884
FDIC insured				<u>(353,739)</u>
Uninsured and uncollateralized				<u>\$ 371,145</u>
Total deposits				\$ 724,884
Add: Money Market				<u>6,920</u>
Total deposits				<u>\$ 731,804</u>

Deposit classification in the financial statements at June 30, 2013 follows:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE K – NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

8. Cash and Bank Deposits – Continued

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
First State Bank	Checking	Cash	\$ 987,101	\$ (792,400)	\$ 194,701
First State Bank	Savings	Cash	1,381	-	1,381
First State Bank	Certificate	CD	100,000	-	100,000
Bank of America	Checking	Cash	33,688	-	33,688
Wells Fargo	Checking	Cash	23,969	-	23,969
Merrill Lynch	Investment	Money Market	26,640	-	26,640
			<u>\$ 1,172,779</u>	<u>\$ (792,400)</u>	<u>\$ 380,379</u>

9. Investments

None of the Foundation's investments are exposed to custodial credit risks as they are all registered. Also, the Foundation holds no debt securities and therefore the investments are not subject to credit or interest rate risk. A summary of the investments at June 30, 2013 are as follows:

Investments	Ratings	Fair Value
Held at Merrill Lynch investment account		
Equity securities	Not Rated	\$ 6,920
Mutual funds	Not Rated	1,671,128
		<u>1,678,048</u>
Investments not subject to categorization		
State Investment Council pooled funds		
Fixed income securities		2,448,751
Equity securities		13,157,574
		<u>15,606,325</u>
Insurance annuity		1,298,828
		<u>1,298,828</u>
Total investments		<u>\$ 18,583,201</u>

10. Notes Receivable

The Foundation funded the construction of a building for a company which leases land from the Institute. The Foundation has a note receivable for the amount of the loan of \$1,154,313 of which \$174,108 is current and \$980,205 is noncurrent. The note bears a variable rate of interest based on Wall Street Journal Prime (currently 3.25%), is payable monthly over 15 years and is secured by the building. The Foundation also has a note receivable in the amount of \$158,644 of which \$2,562 is current and \$156,082 is noncurrent at June 30, 2013. The note bears a 6% interest rate and is payable monthly over 36 months with remaining balance due at maturity.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE K – NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

11. Capital Assets

	2013			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated				
Land	\$ 153,150	\$ -	\$ -	\$ 153,150
Other	130,500	-	-	130,500
Total capital assets not being depreciated	283,650	-	-	283,650
Capital assets being depreciated				
Building	1,648,127	-	-	1,648,127
Patents	8,021,841	-	-	8,021,841
Other intangibles	21,842	-	-	21,842
Accumulated depreciation building	(555,734)	(59,932)	-	(615,666)
Accumulated depreciation patents	(8,000,000)	-	-	(8,000,000)
Total capital assets being depreciated, net	1,136,076	(59,932)	-	1,076,144
Total capital assets, net	\$ 1,419,726	\$ (59,932)	\$ -	\$ 1,359,794

12. Related Party Transactions and Donated Services

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

The Foundation owns an insurance annuity through New York Life with a fair market value of \$1,298,828 at June 30, 2013. The insurance annuity was acquired to benefit the President of the Institute. The Foundation's annual contribution to the insurance annuity was \$150,000 in 2013.

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

The Foundation leases an apartment building to the Institute. The lease is classified as an operating lease, and expired in June 2013 with an option to renew for an additional three years. Lease revenues were \$91,150 for 2013.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE L – THE NEW MEXICO TECH UNIVERSITY RESEARCH PARK CORPORATION

1. Cash and Cash Equivalents

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

2. 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.

3. Income Taxes

The Corporation is taxed as a C-corporation under the Internal Revenue Code (IRC).

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Corporation is a supporting organization of the Institute and not a private foundation.

The Corporation is in the process of applying to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and be classified by the Internal Revenue Service as a public charity.

There was no provision for income taxes during the year ended June 30, 2013, due primarily to the absence of taxable income. The net operating loss carryforwards expire beginning in fiscal years 2028 and 2014 for federal and state purposes, respectively.

A full valuation allowance of \$225,700 has been established for periods prior to the year ending June 30, 2013 to offset deferred tax assets arising from net operating losses because of the uncertainty of their realization. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Because management intends to apply for recognition as a not-for-profit entity under section 501(c)(3) of the IRC, it is unlikely that the majority of the carryforwards will be realized.

During 2013, the New Mexico Taxation and Revenue Department (NMTRD) assessed the Corporation \$80,749, plus penalties and interest due to disallowance of the State NOL carryforward. The matter is under review with the NMTRD and management expects this to be resolved without obligation.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE L – NEW MEXICO TECH UNIVERSITY RESEARCH PARK CORPORATION – CONTINUED

4. Cash and Bank Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. The Corporation does not have a deposit policy for custodial credit risk. As of June 30, 2013, the Corporation's deposits were exposed to custodial credit risk as follows:

	First State
	<hr/>
Total of deposits in the bank	\$ 29,855
Less FDIC coverage	<hr/> (29,855)
	<hr/>
Total uninsured funds	<u>\$ -</u>

Deposit classification in the financial statements at June 30, 2013 follows:

<u>Name of Depository</u>	<u>Account Name</u>	<u>Bank Account Type</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>	<u>Financial Statement Balance</u>
First State Bank	Checking	Cash	\$ 29,855	\$ -	\$ 29,855

5. Related Party Transactions

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

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE M – NEW ACCOUNTING STANDARDS

GASB 62

The Institute implemented Governmental Accounting Standards Board (GASB) Statement No. 62 during the year ended June 30, 2013, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" which codifies preexisting authoritative guidance from all sources into GASB standards and edits such standards for the government environment as appropriate. It further eliminates the election for proprietary fund and business type reporting entities to apply certain Financial Accounting Standards guidance after November 30, 1989.

GASB 63

The Institute implemented Governmental Accounting Standard Board Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position* (GASB 63) for the year ending June 30, 2013. GASB 63 introduces a fundamental change to the reporting of elements that make up a statement of financial position.

Deferred outflows of resources and deferred inflows of resources are now included in the elements that make up a statement of financial position and GASB 63 introduces the term net position for reporting the residual of all elements in a statement of financial position. The statement of financial position of the Institute at June 30, 2013 conforms to the presentation requirements of GASB 63. There were no deferred outflows or inflows to separately report at June 30, 2013.

GASB 65

Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) changes the classification of various financial statement balances including several more common type transactions for presentation as assets and liabilities to deferred outflows and inflows of resources. GASB 65 is applicable for years beginning after December 15, 2012. The Institute will implement this standard next year. Bond issuance costs for any future bond authorizations will be treated differently next year under this standard.

GASB 67 and 68

These standards revise existing guidance for governments that provide their employees with pension benefits. A principal change is the requirement to record the government's pro rata share of unfunded actuarial accrued liability (UAAL) on its financial statements including multiemployer cost sharing plans. The Institute is a participating member of the Educational Retirement Board (ERB), and multiemployer cost sharing plan. See Note G. Other changes arising from these statements are significant and the Institute will comply with these changes as statement No. 68, most relevant to the Institute, is effective for FY 2015. At this time management is unable to estimate the magnitude of this impact. Information regarding ERB's current funding status can be found in their financial report.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE M – NEW ACCOUNTING STANDARDS – CONTINUED

GASB 69

This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term “government combinations” includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. GASB 69 is effective for FY 2015. The Institute has evaluated GASB 69 and does not believe that it will have an impact on its financial statements.

GASB 70

This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees, enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees, and will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The Institute has evaluated GASB 70 and does not believe that it will have an impact on its financial statements.

SUPPLEMENTARY INFORMATION

New Mexico Institute of Mining and Technology

**COMBINED REVENUES AND EXPENDITURES -
BUDGET COMPARISONS**

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	\$ 43,962,913	\$ 50,127,439	\$ 61,302,393	\$ 11,174,954
Revenues				
State general fund appropriations	55,456,900	55,456,900	35,414,951	(20,041,949)
Restricted revenue sources	98,663,526	98,663,526	69,456,905	(29,206,621)
Tuition and fees	8,540,304	10,207,715	12,776,827	2,569,112
Land and permanent fund	1,050,000	1,050,000	1,377,079	327,079
Endowment earnings/private gifts	200,000	200,000	230,627	30,627
Other	14,326,751	14,326,751	20,679,700	6,352,949
Total revenues	178,237,481	179,904,892	139,936,089	(39,968,803)
Total revenues and balance budgeted	222,200,394	230,032,331	201,238,482	(28,793,849)
Expenditures				
Instruction and general	33,467,790	38,973,775	35,023,291	(3,950,484)
Student social and cultural	482,099	814,695	704,845	(109,850)
Research	99,980,420	105,101,985	71,555,009	(33,546,976)
Public service	418,500	530,561	627,979	97,418
Internal service departments	1,763,345	2,260,173	5,238,211	2,978,038
Student aid	10,285,215	10,285,215	8,718,495	(1,566,720)
Auxiliary enterprises	5,230,347	5,632,270	5,274,926	(357,344)
Intercollegiate athletics	214,200	218,572	218,942	370
Independent operations	5,434,274	5,813,507	4,841,543	(971,964)
Capital outlay	21,950,000	21,950,000	10,048,714	(11,901,286)
Renewal and replacements	2,077,772	2,077,772	482,190	(1,595,582)
Retirement of indebtedness	1,043,550	1,043,550	583,235	(460,315)
Total expenditures	182,347,512	194,702,075	143,317,380	(51,384,695)
Net transfers	(311,826)	(311,826)	(550,328)	5,491,695
Change in net assets-budgetary basis	(4,421,857)	(15,109,009)	(3,931,619)	16,907,587
Ending fund balances	\$ 39,541,056	\$ 35,018,430	\$ 57,370,774	\$ 28,082,541

New Mexico Institute of Mining and Technology

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

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	\$ 43,962,913	\$ 50,127,439	\$ 61,302,393	\$ 11,174,954
Revenues				
Tuition	7,267,104	8,934,515	10,600,105	1,665,590
Miscellaneous fees	1,273,200	1,273,200	2,176,722	903,522
Government appropriation - federal	-	-	-	-
Government appropriation - state	55,456,900	55,456,900	35,414,951	(20,041,949)
Government appropriation - local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private gift/contracts	-	-	-	-
Endowments	200,000	200,000	230,577	30,577
Land and permanent fund	1,050,000	1,050,000	1,377,079	327,079
Private gifts	-	-	50	50
Sales and service	6,055,447	6,055,447	9,410,495	3,355,048
Other sources	8,271,304	8,271,304	11,269,205	2,997,901
Total revenues	79,573,955	81,241,366	70,479,184	(10,762,182)
Total revenues and balance budgeted	123,536,868	131,368,805	131,781,577	412,772
Expenditures				
Instruction and general	33,467,790	38,973,775	35,023,291	(3,950,484)
Student social and cultural	482,099	814,695	704,845	(109,850)
Research	8,992,043	14,113,608	7,808,279	(6,305,329)
Public service	418,500	530,562	627,979	97,417
Internal service departments	1,763,345	2,260,174	3,872,683	1,612,509
Student aid	4,042,966	4,042,966	4,552,772	509,806
Auxiliary enterprises	5,230,347	5,632,270	5,274,926	(357,344)
Intercollegiate athletics	214,200	218,572	218,942	370
Independent operations	4,001,374	4,380,608	3,806,024	(574,584)
Capital outlay	21,950,000	21,950,000	10,048,714	(11,901,286)
Renewal and replacements	2,077,772	2,077,772	482,190	(1,595,582)
Retirement of indebtedness	1,043,550	1,043,550	583,235	(460,315)
Total expenditures	83,683,986	96,038,552	73,003,880	(23,034,672)
Net transfers	(311,826)	(311,826)	(550,328)	(238,502)
Change in net assets-budgetary basis	(4,421,857)	(15,109,012)	(3,075,024)	12,033,988
Ending fund balances	\$ 39,541,056	\$ 35,018,427	\$ 58,227,369	\$ 23,208,942

New Mexico Institute of Mining and Technology

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

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	\$ -	\$ -	\$ -	\$ -
Revenues				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	292,445	292,445	-	(292,445)
Government appropriation - state	21,600	21,600	-	(21,600)
Government appropriation - local	-	-	-	-
Government grants - federal	78,685,904	78,685,904	46,494,958	(32,190,946)
Government grants - state	10,225,200	10,225,200	2,890,937	(7,334,263)
Contracts - local	-	-	4,145,594	4,145,594
Private gift/contracts	5,296,000	5,296,000	13,219,836	7,923,836
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	1,544,330	1,544,330
Sales and service	4,029,877	4,029,877	1,161,250	(2,868,627)
Other sources	112,500	112,500	-	(112,500)
Total revenues	98,663,526	98,663,526	69,456,905	(29,206,621)
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	98,663,526	98,663,526	69,456,905	(29,206,621)
Expenditures				
Instruction and general	-	-	-	-
Student social and cultural	-	-	-	-
Research	90,988,377	90,988,377	63,746,730	(27,241,647)
Public service	-	-	-	-
Internal service departments	-	-	1,365,528	1,365,528
Student aid	6,242,249	6,242,249	4,165,723	(2,076,526)
Auxiliary enterprises	-	-	-	-
Intercollegiate athletics	-	-	-	-
Independent operations	1,432,900	1,432,900	1,035,519	(397,381)
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
Total expenditures	98,663,526	98,663,526	70,313,500	(28,350,026)
Change in net assets-budgetary basis	-	-	(856,595)	(856,595)
Ending fund balances	\$ -	\$ -	\$ (856,595)	\$ (856,595)

New Mexico Institute of Mining and Technology

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

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	\$ 3,142,804	\$ 2,580,705	\$ 2,580,705	\$ -
Revenues				
Tuition	7,267,104	8,934,515	10,600,105	1,665,590
Miscellaneous fees	613,200	613,200	1,088,438	475,238
Government appropriation - federal	-	-	-	-
Government appropriation - state	25,806,600	25,806,600	25,806,584	(16)
Government appropriation - local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private gift/contracts	-	-	-	-
Endowment earnings	200,000	200,000	230,577	30,577
Land and permanent fund	1,050,000	1,050,000	1,377,079	327,079
Private gifts	-	-	-	-
Sales and service	-	-	-	-
Other sources	4,230,500	4,230,500	5,939,940	1,709,440
Total revenues	39,167,404	40,834,815	45,042,723	4,207,908
Expenditures				
Instruction	16,043,549	18,600,977	16,805,137	(1,795,840)
Academic support	3,093,096	3,328,551	2,797,730	(530,821)
Student services	2,126,806	2,509,849	2,100,295	(409,554)
Institutional support	7,201,590	9,531,649	7,312,169	(2,219,480)
Operation and maintenance of plant	5,002,749	5,002,749	6,007,960	1,005,211
Total expenditures	33,467,790	38,973,775	35,023,291	(3,950,484)
Net transfers	(6,467,966)	(2,256,849)	(8,030,256)	(5,773,407)
Change in net assets-budgetary basis	(768,352)	(395,809)	1,989,176	2,384,985
Ending fund balances	\$ 2,374,452	\$ 2,184,896	\$ 4,569,881	\$ 2,384,985

New Mexico Institute of Mining and Technology

SCHEDULE OF DEPOSIT COLLATERAL

June 30, 2013

	Pledged Collateral		First State Bank Socorro, NM	Wells Fargo Socorro, NM	Bank of America Socorro, NM	Total
	Safekeeping Location	Type of Security				
Funds on deposit						
Deposits			\$ 35,760,522	\$ 1,044,067	\$ 5,955	\$ 36,810,544
Sweep account			-	-	-	-
FDIC insurance						
Demand deposits			250,000	250,000	5,955	505,955
Savings deposits			100,129	-	-	100,129
Total uninsured public funds			\$ 35,410,393	\$ 794,067	\$ -	\$ 36,204,460
Fifty percent collateral requirement per section 6-10-17 NMSA			\$ 17,705,197	\$ 397,034	\$ -	\$ 18,102,231
Pledged collateral	Federal Reserve Bank, Dallas, Texas					
		FNMA				
		CUSIP #31359MRG0	3,499,443	-	-	3,499,443
		FFCB Non CBL				
		CUSIP #31331QF77	1,496,827	-	-	1,496,827
		FHLB Non CBL				
		CUSIP #313XLWM1	3,687,613	-	-	3,687,613
		FFCB Non CBL				
		CUSIP #31331H5L7	958,063	-	-	958,063
		US Treasury Notes				
		CUSIP #912810DW5	103,457	-	-	103,457
		FHLB Non CBL				
		CUSIP #3133MJQF0	2,429,883	-	-	2,429,883
		US Treasury Notes				
		CUSIP #912810DX3	2,201,368	-	-	2,201,368
		FFCB Non CBL				
		CUSIP #31331XSD5	2,225,454	-	-	2,225,454
		US Treasury Notes				
		CUSIP #912810DZ8	1,516,177	-	-	1,516,177
		FFCB Non CBL				
		CUSIP #31331QYJ0	4,883,365	-	-	4,883,365
		FFCB Non CBL				
		CUSIP #31331SVN0	4,951,103	-	-	4,951,103
		FFCB Non CBL				
		CUSIP #31331XX64	4,052,038	-	-	4,052,038
		FFCB Non CBL				
		CUSIP #31331VKU9	3,135,001	-	-	3,135,001
		FN AH8825 4.500% 03/01/2041				
		CUSIP #3138AAYX3	-	15,611	-	15,611
		FN AR9198 3.000% 03/01/2043				
		CUSIP #3138W7GG3	-	140,805	-	140,805
		FN AB6309 3.000% 09/01/2042				
		CUSIP #31417DAK9	-	36,623	-	36,623
		FN AD8529 4.500% 08/01/2040				
		CUSIP #31418WPP9	-	55,025	-	55,025
		FN AE0385 4.000% 09/01/2040				
		CUSIP #31419ANB9	-	282,609	-	282,609
Total collateral			35,139,792	530,673	-	35,670,465
Excess (deficit) of pledged collateral over the required amount			\$ 17,434,595	\$ 133,639	\$ -	\$ 17,568,234

New Mexico Institute of Mining and Technology

**SCHEDULE OF CHANGES IN POSITION AND LIABILITIES -
AGENCY FUND - EMPLOYEE BENEFIT TRUST**

Year Ended June 30, 2013

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
ASSETS				
Cash	\$ 1,121,938	\$ 10,962,784	\$ (11,930,152)	\$ 154,570
Due from NMIMT	237,331	246,465	(240,821)	242,975
Short-term investments	944,781	143,630	-	1,088,411
	<u>\$ 2,304,050</u>	<u>\$ 11,352,879</u>	<u>\$ (12,170,973)</u>	<u>\$ 1,485,956</u>
LIABILITIES				
Accounts payable	\$ 936,595	\$ -	\$ (936,595)	\$ -
Due to related parties	800,000	950,000	-	1,750,000
Other accrued liabilities	168,028	1,080,856	(1,248,329)	555
Liabilities for claims expense	380,846	319,154	-	700,000
Deposits held in custody for others	18,581	7,905,278	(8,888,458)	(964,599)
	<u>\$ 2,304,050</u>	<u>\$ 10,255,288</u>	<u>\$ (11,073,382)</u>	<u>\$ 1,485,956</u>

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2013

Federal Grantor Program Title	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenditures
Major Programs			
Research and Development Cluster			
Department of Defense			
U.S. Army	W56HZV-08-C-0034	12.Unknown	\$ 50,493
	W912HZ-11-2-0013	12.Unknown	21,178
	W911QX-13-P-0028	12.Unknown	331
	W911NF-11-2-0036	12.Unknown	122,368
	H98230-06-C-0611	12.Unknown	1,319,041
	H98230-13-C-1356	12.Unknown	246,025
	CC10720-1624V3N	12.Unknown	1,191
	W9124Q-05-H-0001	12.Unknown	773,464
	W911SG-12-P-0096	12.Unknown	414,805
	W912PP-12-P-0146	12.Unknown	5,800
U.S. Air Force	F2KKBAC0354M0001	12.Unknown	144,699
	FA-9200-12-C-0214	12.Unknown	52,837
	AGREEMENT 10/17/12	12.Unknown	2,871
	IPA - P MARTIN	12.Unknown	57,954
	BRIDGE FUNDING	12.Unknown	5,064
	BRIDGE FUNDING	12.Unknown	4,492
	FA9453-04-3-0054/0374	12.114	(1)
	PIA FA9453-11-3-0001/CPO #0002	12.615	613,144
	FA9550-10-1-0009	12.800	1,122,968
U.S. Navy	N00421-12-2-0001	12.Unknown	1,161,287
	N4175612MD50062	12.Unknown	(7,461)
	N41756-10-C-3367	12.Unknown	93,306
	IPA W MC CARTHY 1/10/2012	12.Unknown	261,432
	N4175612MD50202	12.Unknown	284,559
	IPA DAVID PINE	12.Unknown	168,481
	N00178-0-D-1007 - DO 0005	12.Unknown	27,393
	N00178-13-P-4092	12.Unknown	18,493
	N00014-12-1-0377	12.300	145,914
	N00014-08-1-0241	12.300	101,576
Department of Navy - MRO	N00173-01-2-C902	12.300	1,391,706
Defense Advanced Research Projects Agency		12.910	601,564

See notes to schedule of expenditures of federal awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

June 30, 2013

Federal Grantor Program Title	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenditures
National Science Foundation		47.049	350,022
		47.050	798,864
		47.070	78,701
		47.076	322,622
		47.078	289,051
NSF - ARRA		47.082	479,109
NSF - ARRA	AST-0908901	47.Unknown	168,074
Department of Energy		81.049	122,444
Fossil Energy (National Energy Technology Laboratory)		81.049	117,118
Fossil Energy (National Energy Technology Laboratory)		81.089	610,691
Fossil Energy (National Energy Technology Laboratory)		81.122	16,835
DOE - ARRA		81.133	186,060
Fossil Energy (National Energy Technology Laboratory)	DE-FC26-05NT42591	81.Unknown	5,274,366
Department of the Interior			
National Park Service	H2360030007/J2360075162	15.944	300,854
	P12AT00380/P12AC71216	15.944	(9,814)
	P12AC11010	15.944	6,695
	P12AC11011	15.944	1,428
	P2360097099	15.944	28,380
	J7810090024/P09AC00083	15.944	1,135
		15.944	67,747
U.S. Geological Survey		15.810	255,332
		15.816	60,000
		15.819	21,832
Bureau of Land Management		15.225	6,093
		15.239	45,916
U.S. Office of Surface Mining		15.255	3,672
National Aeronautics and Space Administration		43.001	327,586
	NNX08AE91G	43.001	21,206
	NNK12OR12C	43.001	135,212
	NNM11AA27P	43.001	(10,734)
	NNX08AN78G	43.001	29,376
	NNK13MA03P	43.001	3,019
Department of Labor - Mine Safety		17.600	115,089
Total Direct Research and Development			19,430,955

See notes to schedule of expenditures of federal awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

June 30, 2013

Federal Grantor Program Title	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenditures
Major Programs			
Research and Development - Pass throughs			
Department of Defense			
U.S. Army			
Battelle Memorial Institute	US001-0000359801	12.Unknown	144,042
	US001-0000322590	12.Unknown	38,250
Johns Hopkins University	2001645111	12.630	83,527
Defense Advanced Research Projects Agency			
Duke University	10-DARPA-1096	12.910	112,027
Defense Threat Reduction Agency			
University of New Mexico	798181-8746	12.Unknown	116,660
Department of Energy			
Los Alamos National Labs			
	88805-001-10/149608-1	81.Unknown	(543)
	131480	81.Unknown	25,168
	162503-1	81.Unknown	54,185
	200212	81.Unknown	45,126
	8805-001-10/178601-1	81.Unknown	17,168
	BA88805-001-10/SUB 112863	81.Unknown	81,341
	77010-001-10	81.Unknown	27,589
Sandia National Labs			
	1359398	81.Unknown	1,642
	1054763	81.Unknown	38,885
	1071024	81.Unknown	8,955
	1077079	81.Unknown	57,896
	1092320	81.Unknown	36,095
	1096139	81.Unknown	(1)
	1124491	81.Unknown	-
	1149178	81.Unknown	12,769
	1178371	81.Unknown	(683)
	1183915	81.Unknown	(1,859)
	1186420	81.Unknown	23,186
	1196871	81.Unknown	14,834
	1200509	81.Unknown	26,321
	1212703	81.Unknown	29,739
	1227483	81.Unknown	36,548
	1232958	81.Unknown	263,623
	1241903	81.Unknown	144,481
	1252613	81.Unknown	94,539
	1252698	81.Unknown	88,964
	1253246	81.Unknown	16,758
	1257075	81.Unknown	40,969
	1269949	81.Unknown	210,768

See notes to schedule of expenditures of federal awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

June 30, 2013

Federal Grantor Program Title	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenditures
	1270026	81.Unknown	148,456
	1271100	81.Unknown	15,803
	1276560	81.Unknown	172,580
	1294583	81.Unknown	104,564
	1314381	81.Unknown	259,751
	1317050	81.Unknown	42,913
	1324644	81.Unknown	24,832
	1335747	81.Unknown	24,994
	1341090	81.Unknown	43,381
	1353582	81.Unknown	67,864
	920288	81.Unknown	18,034
	920668	81.Unknown	23,429
	921948	81.Unknown	17,304
Idaho National Laboratory	00134605	81.Unknown	9,533
Pacific Northwest National Laboratory	186113	81.Unknown	125,957
Research Partnership to Secure Energy for America	07-SCTA98-NMT/MOD 13	81.Unknown	117,975
	09123-03	81.Unknown	145,527
	07123-05	81.Unknown	(172)
	11123-03	81.Unknown	135,933
University of New Mexico	182002-8746	81.049	13,570
ARRA -University of Utah	10015030-NMGS	81.Unknown	121,091
Department of Interior			
Arizona Geological Survey	NM-EE0002850	15.Unknown	78,254
NASA			
Regents of New Mexico State University	Q01536	43.001	12,349
	Q01533	43.001	11,101
	Q01562	43.001	4,360
	Q01531	43.001	23,856
	Q01531	43.001	3,721
University of California	2012-2737	43.001	11,435
Regents of New Mexico State University	Q01546	43.008	16,366
Jet Propulsion Laboratory	RSA#1427781/NMO711043	43.Unknown	102,759
	1472119	43.Unknown	1,243
	SUB NO. 1361129	43.Unknown	15,555
	SUB #1360839	43.Unknown	27,693
	1383100/NASA NMO710769	43.Unknown	(507)
	SUBCONTRACT# 1478543	43.Unknown	210

See notes to schedule of expenditures of federal awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

June 30, 2013

Federal Grantor Program Title	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenditures
Regents of New Mexico State University	Q01295	43.Unknown	15,697
	Q01507	43.Unknown	19,611
	Q01522	43.Unknown	13,437
	Q01376 -NNX09AP69A	43.Unknown	224,364
	Q01451	43.Unknown	5,000
	Q01563	43.Unknown	7,272
Smithsonian Astrophysical Observatory	GO3-14005X	43.Unknown	12,850
Universities Space Research Association	SUB 03450-07	43.Unknown	13,951
Department of Health and Human Services - NIH			
University of New Mexico	MOA 8/8/12	93.Unknown	7,517
Regents of New Mexico State University	Q01346	93.389	427,644
		93.859	142,863
National Science Foundation			
Incorporated Research Institutions for Seismology	70-TA	47.050	1,965,647
	41-PAS/EAR-1063471	47.050	2,528,190
	02-PAS	47.050	(510)
IRIS - ARRA	34-GSN	47.Unknown	173,143
	81-TA	47.Unknown	250
Joint Oceanographic Institutions	BA-68 PO# T322A68	47.Unknown	75
Regents of New Mexico State University	EQ01316	47.076	25,012
Texas A & M Research Foundation	K011076	47.Unknown	(5,366)
University of New Mexico	063013-8746	47.080	894,534
	063026-8746-IIA-1301346	47.080	432
	063015-8746	47.081	136,304
University of Alaska	FP30587-UAF13-0060	47.Unknown	2,565
	FP13456	47.Unknown	18
Total Pass through Research and Development			10,441,183
Total Research and Development Cluster			29,872,138
Non Major Programs			
Department of Education - Student Financial Assistance Cluster			
Pell Grant Program		84.063	1,989,466
Supplemental Educational Opportunity Grant (SEOG)		84.007	198,246
College Work Study		84.033	231,025
Perkins Loan		84.038	385,836
Direct Subsidized Stafford Loan (DSL S)		84.268	1,438,142
Direct Unsubsidized Stafford Loan (DSL U)		84.268	2,035,364
Direct Parent Loan for Undergraduate Students (DPLUS)		84.268	172,100
Total Student Financial Assistance Cluster			6,450,179

See notes to schedule of expenditures of federal awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

June 30, 2013

Federal Grantor Program Title	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenditures
Other Federal Direct			
Department of Education	P031C110059	84.031	995,481
	P031S100145	84.031	660,873
	P031M090020	84.031	559,883
	P047M090004	84.047	273,573
	PO47A070017	84.047	76,330
	P047A120523	84.047	115,539
Department of Homeland Security	EMW-2012-CA-K00146-S01	97.005	7,442,570
	2010-NA-T0-K016	97.005	(1,268,339)
	EMW-2011-CA-00094-S01	97.005	11,411,893
	2011-ST-062-000051	97.062	22,948
	2008-ST-104-000011	97.104	7,364
Office of Justice Programs	2009-DG-BX-K002	16.580	616,597
Environmental Protection Agency	AI-83458601-0	66.203	121,240
	X6-83536101	66.424	780,609
	EP096000201	66.506	392,788
	EP-G125-00149	66.506	87,451
	FP-91734801	66.514	8,596
	FP-91750601	66.514	8,622
	EP-R8-09-09	66.Unknown	40,334
Department of State	S-DSASD-09-CA-200	19.700	2,483,867
Department of Treasury	TPD-CSB-11-00009	21.Unknown	(18,066)
Federal Aviation Agency	CA 10-C-CST-NMT-10	20.109	147,747
National Endowment for the Arts	13-7800-7069	45.024	10,000
Department of Commerce	BRIDGE FUNDING	11.Unknown	769
National Oceanic & Atmospheric Administration	NA11NES4400007	11.440	47,582
Office of the Secretary of Defense	IPA BOLINO 2009/2011/2012	12.Unknown	74,109
	IPA CAVILEER 2012-2014	12.Unknown	228,989
Total Other Federal Direct			25,329,349

See notes to schedule of expenditures of federal awards.

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

June 30, 2013

Federal Grantor Program Title	Funding Agency Identification Number/Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenditures
Other Federal Pass Through			
Environmental Protection Agency			
Kansas Dept of Health and Environment	CONTRACT 2/1/12	66.Unknown	13,231
Texas Commission on Environmental Quality	582-11-14416	66.468	2,504
Department of Labor			
NM Workforce Solutions Department	09-631-0004-00046 / PO#5110	17.268	(84)
U.S. Department of Homeland Security			
	EMT-2010-GR-0008-NMTECH	97.082	2,316
	EMW-2012-EP-0051-NMT ROCKIN	97.042	636
	EMW-2011-SS-0051-NM TECH	97.042	6,193
Arizona State University	SC 19111M00193	97.Unknown	2,886
University of Kentucky	3048107821-11-267	97.Unknown	(2,043)
Department of Justice			
Sam Houston State University	SUB#22047A/2010-DN-BX-K223	16.560	13,502
U.S. Department of Education			
University of New Mexico	P0122360	84.Unknown	5,197
	P0121150	84.Unknown	461
U.S. Department of Housing			
University of Louisville Research Foundation Inc	ULRF 12-0036-03/PO 3000147648	14.705	14,253
National Oceanic & Atmospheric Administration			
Arizona State University	13-050	11.Unknown	20,894
Federal Aviation Agency			
New Mexico Department of Transportation	C05309	20.205	47,969
	C05422	20.205	16,396
	C05357	20.205	400
	M00734/FLH-HPP-7553(7)	20.Unknown	246,299
	CO5249	20.205	5,756
	C05435	20.205	5,805
New Mexico Spaceport Authority	MOA 4/13/12	20.Unknown	11,249
Total Other Federal Pass Through			413,820
Total Schedule of Expenditures of Federal Awards			\$ 62,065,486

See notes to schedule of expenditures of federal awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – STUDENT FINANCIAL ASSISTANCE

The Institute administers the Perkins Loan Program. Total outstanding loans under this U.S. Department of Education program at June 30, 2013 were \$2,267,592. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2013 were \$385,836. The Schedule of Expenditures of Federal Awards only includes an amount, which represents administrative costs and additional advances, including the Institute's matching requirement expended for the year ended June 30, 2013.

During the fiscal year ended June 30, 2013, the Institute processed \$3,645,606 of new loans under the Direct Student Loan Program, which includes Stafford Loans, Parents' Loans for Undergraduate Students, and Supplemental Loans for Students.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each discretely presented component unit and the fiduciary fund, and related notes, which collectively comprise the basic financial statements of the New Mexico Institute of Mining and Technology (the Institute), as of and for the year ended June 30, 2013. We have also audited the budgetary comparison schedules presented as supplementary information in the accompanying financial statements as of and for the year ended June 30, 2013 and the related notes to the financial statements and have issued our report thereon dated November 12, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies described as 12-01, 13-01, 13-02, 13-03, and 13-04.

Compliance and Other Matters

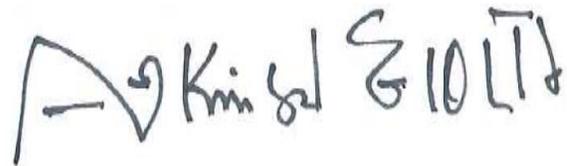
As part of obtaining reasonable assurance about whether the Institute's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 13-05.

The Institute's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized flourish on the left side.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 12, 2013



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited New Mexico Institute of Mining and Technology's (the Institute) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Institute's major federal programs for the year ended June 30, 2013. The Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Institute's major federal programs based on our audits of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance.

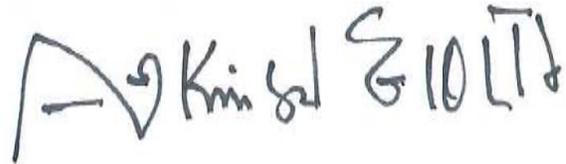
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund of the Institute as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements. We issued our report thereon dated November 12, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized flourish on the left side.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 12, 2013

SUMMARY OF AUDIT FINDINGS

Year Ended June 30, 2013

Prior Year Finding Description

Status

Findings – Financial Statement Audit

11-01	Restricting Administrative Rights to Desktops/Computers	Resolved
11-02	Development and Testing of a Disaster Recovery Plan	Resolved
12-01	Capital Asset Control and Accounting	Repeated and Modified
12-02	Accounts Receivable and Accrued Compensated Absences Control and Accounting	Resolved

Federal Award Findings and Questioned Costs

12-03	Data Collection Form Submission	Resolved
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Current Year Finding Description

Findings – Financial Statement Audit

13-01	Administration of Accounting System Access Rights (Significant Deficiency)
13-02	Purchase Order Authorizations (Significant Deficiency)
13-03	Other Post Employment Benefits (OPEB) Unfunded Liability (Significant Deficiency)
13-04	Component Unit Net Position Classifications (Significant Deficiency)

Findings in Accordance with 2.2.2 NMAC (State Audit Rule)

13-05	Self-Reported Fraud – Misappropriation of Cash
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Findings – Federal Award Findings and Questioned Costs

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
R&D Cluster	Research and Development Cluster
SFA Cluster	Student Financial Assistance Cluster
19.700	General Department of State Assistance
66.424	Surveys, Studies, Investigations, Demonstrations, and Training Grants - Section 1442 of the Safe Drinking Water Act
84.031	Higher Education Institutional Aid

Dollar threshold used to distinguish between type A and type B programs \$1,861,965

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2013

B. FINDINGS – FINANCIAL STATEMENT AUDIT

12-01 CAPITAL ASSET CONTROL AND ACCOUNTING (SIGNIFICANT DEFICIENCY)

CONDITION

The following deficiencies were noted during the testing of capital asset additions and deletions:

- Equipment was donated to the Institute and donation revenue was overstated as it improperly included installation costs.
- Depreciation expense of \$647,967 related to library materials was not properly recorded to correct the account.
- Several pieces of equipment were purchased prior to fiscal year 2013, but were not previously recorded causing a likely cutoff error of \$578,000.
- Two assets disposed of during the year never had depreciation expense applied which caused a loss on disposal.
- Deletions of library assets were understated by \$196,289 due to the use of a prior year's average cost in the calculation.

CRITERIA

Per U.S. GAAP, capital assets should be recorded in the year the asset is acquired and depreciation expense should be recorded from the acquisition date until the asset is fully depreciated or disposed of. Assets should be depreciated using a systematic, rational, and consistent basis.

CAUSE

Ongoing implementation and integration with the general ledger of the capital assets module by the Accounting Department, inadequate reconciliation and review of capital asset activity, schedules, and annual adjustments.

EFFECT

Capital assets and net position invested in capital assets may be understated by a material amount and capital asset related expenditure accounts were misstated in the current year.

RECOMMENDATION

We recommend that procedures over the recording of capital assets be reviewed and strengthened to include a reconciliation of capitalizable assets recorded in asset accounts and expenditure accounts, and a thorough review of asset schedules, reconciliations, and journal entries prepared.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2013

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

12-01 CAPITAL ASSET CONTROL AND ACCOUNTING (SIGNIFICANT DEFICIENCY) – CONTINUED

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

The Business Office is working on continuous improvement of the process for reviewing the general ledger and property reports. The review is currently done daily and reconciliation is completed each month. Research will be done on the Banner Fixed Assets module to identify any possible processes and/or reports that have become available since the implementation of the module. In addition, the Business Office and the Property Office will work together to improve on the reporting and recording of capital assets. Every effort will be made to provide more extensive training for both the Property and Business Office staff. It is anticipated that these improvements will be ongoing through FY14.

Research will be done on the Banner Fixed Assets module to identify any possible processes and/or reports that have become available since the implementation of the module. In addition, the Business Office and the Property Office will work together to improve on the reporting and recording of capital assets. Every effort will be made to provide more extensive training for both the Property and Business Office staff. It is anticipated that these improvements will be ongoing through FY14.

The Donated Revenue procedures have been reviewed and clarified to ensure only fair market value is booked as revenue.

The process for Library Capitalization and Depreciation year-end reconciliation has been documented. The process has been updated to clearly define the accounts and average cost calculations. Additional training and reviews are now included in the procedures.

The implementation of day to day reporting will eliminate the cutoff errors and fiscal year timing seen previously in fixed asset reconciliation.

The current reconciliation process pulls ALL assets in Banner and the associated accumulated depreciation into a report. All depreciation records are being audited. New depreciation records are reviewed as the records are added and periodic reviews will be done on all records in the future.

The Business Office is continuously improving the process for reviewing the general ledger and property reports. The review and reconciliation is done daily. Reports have been established to capture the changes in the fixed assets module from day to day. In addition, the Business Office and the Property Office work together to improve on the recording of capital assets. Every effort will be made to provide more extensive training for both the Property and Business Office staff. It is anticipated that these improvements will be ongoing through FY14.

Point of contact: Arleen Valles, Director of Finance and Director of Property

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2013

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

**13-01 ADMINISTRATION OF ACCOUNTING SYSTEM ACCESS RIGHTS
(SIGNIFICANT DEFICIENCY)**

CONDITION

We tested 240 terminated employees against the list of Banner security functions to ensure that no terminated employees have active access within Banner. We found that one former employee terminated in May 2013, still had system access rights, including the access to modify certain tables within Banner.

We also tested Banner to ensure that there was segregation between the following pairs of duties which are considered incompatible, including accounts payable to accounts receivable as well as accounts payable to restricted fund grants and contract billings, a category which includes the ability to generate invoices.

CRITERIA

Per State of NM Statewide Guideline “Enterprise IT Security Policy”, S-GUIDE-00.003, “the State of New Mexico shall securely and economically protect its business functions including public access to appropriate information and resources, while maintaining compliance with legal requirements established by existing federal and state statutes pertaining to confidentiality privacy, accessibility, availability, and integrity.

CAUSE

The Information Systems Department (ISD) is not consistently notified by Human Resources (HR) when employees terminate. We found one user to have access rights to both accounts payable and the restricted fund grants and contracts billing category, which are incompatible security classes.

EFFECT

Lack of timely notification to ISD from HR indicates a serious control weakness and we recommend that management institute improved procedures for ensuring that all Banner access is removed immediately when an employee is terminated. Potential for unauthorized changes to accounting records increases the risk of fraud or misstatement.

RECOMMENDATION

Segregation of duties should be better enforced by ensuring that access rights are removed as appropriate when an employee transfers from one job function to another. ISD should periodically run the same query of incompatible Banner rights that we ran to ensure that no users have rights in incompatible categories. ISD needs access to financial categories because there are certain bugs in Banner – e.g. documents are sometimes not marked “incomplete” which causes problems in routing for approval, and ISD needs to update this flag manually.

ISD should investigate whether the bugs in Banner can be fixed in a way which would remove the need for ISD write access to finance-related tables, or if some other workaround (e.g. additional software) is available, as ideally ISD should not have access to modify financial information.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2013

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

**13-01 ADMINISTRATION OF ACCOUNTING SYSTEM ACCESS RIGHTS
(SIGNIFICANT DEFICIENCY) – CONTINUED**

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Management recognizes the problem. ISD and the Human Resource Departments (HR) will work closer to resolve the deficiency.

Procedures will be instituted so that automated notification of all employee job status changes will be communicated to ISD for evaluation and modification of access rights.

All terminating employees are required to complete a Property Clearance Form before they receive their final check. ISD will use this form to delete the employees' access to Banner. Additionally, HR will provide ISD the end of the monthly Terminated Report and the Promotion and Transfer Report to make the necessary deletion and changes in Banner.

Point of contact: Joe Franklin, Information Systems Director
Joann Salome, HR Director

13-02 PURCHASE ORDER AUTHORIZATIONS (SIGNIFICANT DEFICIENCY)

CONDITION

In connection with review of sole source purchases, we reviewed certain invoices and purchase orders. In 3 out of 11 items tested totaling approximately \$25,000, the request date of the purchase orders were after the invoice dates submitted by the vendor for payment. The disbursements appeared reasonable and necessary.

CRITERIA

The procurement code specifies that a purchase order is required before the service or product is acquired for control and authorization purposes.

CAUSE

The Institute did not initiate the purchase order process at the proper time.

EFFECT

The three disbursements were out of compliance with the Institute's procurement policy. The protections of the purchase order control procedure were not applied before the incurring of expenditure which increases the possibility of an inappropriate expenditure.

RECOMMENDATION

It is reemphasized that purchase orders should be obtained in advance for all department activity. This should be monitored by finance and management, the purchasing department, and other responsible officials.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2013

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

13-02 PURCHASE ORDER AUTHORIZATIONS (SIGNIFICANT DEFICIENCY) – CONTINUED

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

The Purchasing Office has provided training to the NMT employees. Because of limited time and resources the training has not reached everyone on the campus.

The finance department will reemphasize and repeat that all purchase orders must be obtained in advance of any departmental activity. This will be monitored through the specific departments, the purchasing department, and other responsible officials.

The Purchasing Office will continue and expand periodic training with an emphasis on unauthorized purchases to re-enforce the policies, procedures and procurement regulations. The NMT Administration will reinforce the training by expanding it not only to staff but also to supervisors, the manager, director, and department chairs to assure compliance with NMT, state and federal purchasing requirements.

Point of contact: Lonnie Marquez, VP of Finance and Administration
Kimela Miller, Chief Procurement Officer

**13-03 OTHER POST EMPLOYMENT BENEFITS (OPEB) UNFUNDED LIABILITY
(SIGNIFICANT DEFICIENCY)**

CONDITION

The Institute's self-insured health plan provides a certain post employment benefit to retired faculty participating in the plan. Retired faculty are charged the premium that is applicable to active faculty including the employer portion. The differential between this active premium (generally lower in amount) and what might be charged to retired faculty for health insurance on a standalone basis (generally higher in amount) is a post employment benefit. Accounting standards require that this liability be estimated and recorded on an accrual basis. The actuarial calculation of this liability is currently not yet contracted for and is not recorded in the financial statements of the benefit trust administered by the university.

CRITERIA

GASB 45 requires the NM Employee Benefit Trust (Trust) to obtain an actuarial study in order to determine the valuation and magnitude of potential unfunded accrued actuarial liability (UAAL) associated with other post employment benefit (OPEB) obligations.

CAUSE

The Trustees of the plan have not yet engaged a qualified actuary to perform the GASB 45 OPEB study.

EFFECT

Management does not know the impact of the UAAL if material and may have failed to comply with the OPEB disclosure requirements of the Trust under GASB 45.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2013

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

**13-03 OTHER POST EMPLOYMENT BENEFITS (OPEB) UNFUNDED LIABILITY
(SIGNIFICANT DEFICIENCY) – CONTINUED**

RECOMMENDATION

We recommend that management obtain an actuarial study as of June 30, 2013 as soon as possible.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Management will follow up and obtain an actuarial study to comply with GASB 45. New Mexico Tech attempted to have the actuarial study completed before the audit due date, but because of a communication breakdown, the report was not completed. The actuarial consultant did not receive the necessary information on time.

The NMT Human Resource Office and Meritain are gathering the required information for the study. The study is expected to be completed in early 2014.

Point of contact: Lonnie Marquez, VP of Finance and Administration and Trustee
Joann Salome, HR Director

**13-04 COMPONENT UNIT NET POSITION CLASSIFICATIONS
(SIGNIFICANT DEFICIENCY)**

CONDITION

Contributions received by the New Mexico Tech Research Foundation (the Foundation) over many years have not been reconciled to properly track net asset classification between permanently restricted, temporarily restricted, and when monies are spent to satisfy purpose release of restriction. Instead, contributions have been allocated a 4% increase each year by the Foundation's management, so no release of restriction has ever occurred.

CRITERIA

Donor restrictions whether permanent or temporary must be accounted for properly to honor the donor's intentions under the terms of the contribution as money is spent in the name of the contribution.

CAUSE

During our audit of the Foundation, we sampled 3 of the 30 donor restricted contribution files and found one of the files appeared to permanently restrict the corpus as opposed to temporary restriction until purpose was fulfilled or time expired.

EFFECT

Misclassification within net position classification categories could significantly affect restricted versus unrestricted net position categories within net position.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2013

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

**13-04 COMPONENT UNIT NET POSITION CLASSIFICATIONS
(SIGNIFICANT DEFICIENCY) – CONTINUED**

RECOMMENDATION

The Foundation should ensure that the donor restrictions have been maintained and reconciled by management.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Management agrees with the finding and will prepare a reconciliation schedule segregating restricted and unrestricted net position classifications based upon initial donor intent from donor records.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – NONE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year Ended June 30, 2013

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

13-05 SELF-REPORTED FRAUD – MISAPPROPRIATION OF CASH (NON-COMPLIANCE)

CONDITION

Lack of segregation of duties existed with the person who managed the Science Olympiad cash receipts, which provided opportunity for theft of approximately \$14,905 during the year ended June 30, 2013.

CRITERIA

Good internal controls require segregation of duties between the person making bank deposits and the person opening the mail.

CAUSE

Inadequate segregation of duties existed with the person who received cash and made bank deposits.

EFFECT

The program administrator was able to commit embezzlement of funds intended for the Science Olympiad program.

RECOMMENDATION

We recommend program managers that receive monies in the mail by check only log the receipts then provide the deposit to another person independent of general ledger access to make the deposit.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

The New Mexico Tech cash handling procedures were not followed by the department's staff. All cash or checks are required to be deposited at the New Mexico Tech Cashier's window no later than 24 hours after receiving the monies.

The following procedures are now in place:

- Cash and check payments delivered in person will be escorted by the Director to the New Mexico Tech cashiers window and deposited and receipted immediately.
- Checks received in the mail will be deposited by the Director by 3pm each day.
- The Director will promptly review and reconcile the monthly financial reports provided by the business office. Any discrepancies will be immediately reported to the business office.

NMT Administration will take steps to recover the missing funds from the employee by seeking restitution. Additionally, contact will be made with the local bank that cashed the checks to attempt to collect checks that were improperly cashed.

Point of contact: Lonnie Marquez, VP of Finance and Administration

New Mexico Institute of Mining and Technology

EXIT CONFERENCE

June 30, 2013

An exit conference was held on November 6, 2013, with the following in attendance:

For the New Mexico Institute of Mining and Technology:

Lonnie G. Marquez	Vice President for Administration and Finance
Jerry A. Armijo	Regent Secretary/Treasurer
Leyla A. Sedillo	Associate Vice President for Budget
Arleen Valles	Director of Finance
Anna McLain	Director of Sponsored Projects
Emma Aafloy	Associate Director of Budget
Alex K. Thyssen	Director of Internal Audit
Carrie Marsyla	Senior Staff Accountant
Camille Gurule	Assistant Controller
Steven Hicks	Cost Accounting Manager
Joe Franklin	Information Systems Director

For The New Mexico Tech Research Foundation:

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

For The New Mexico Tech University Research Park Corporation:

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

For Atkinson & Co., Ltd.:

Martin Mathisen, CPA, CGFM	Audit Director
Clarke Cagle, CPA, CCIFP, CGFM	Audit Director
Sarah Brack, CPA, CGMA, CGFM	Audit Manager

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

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