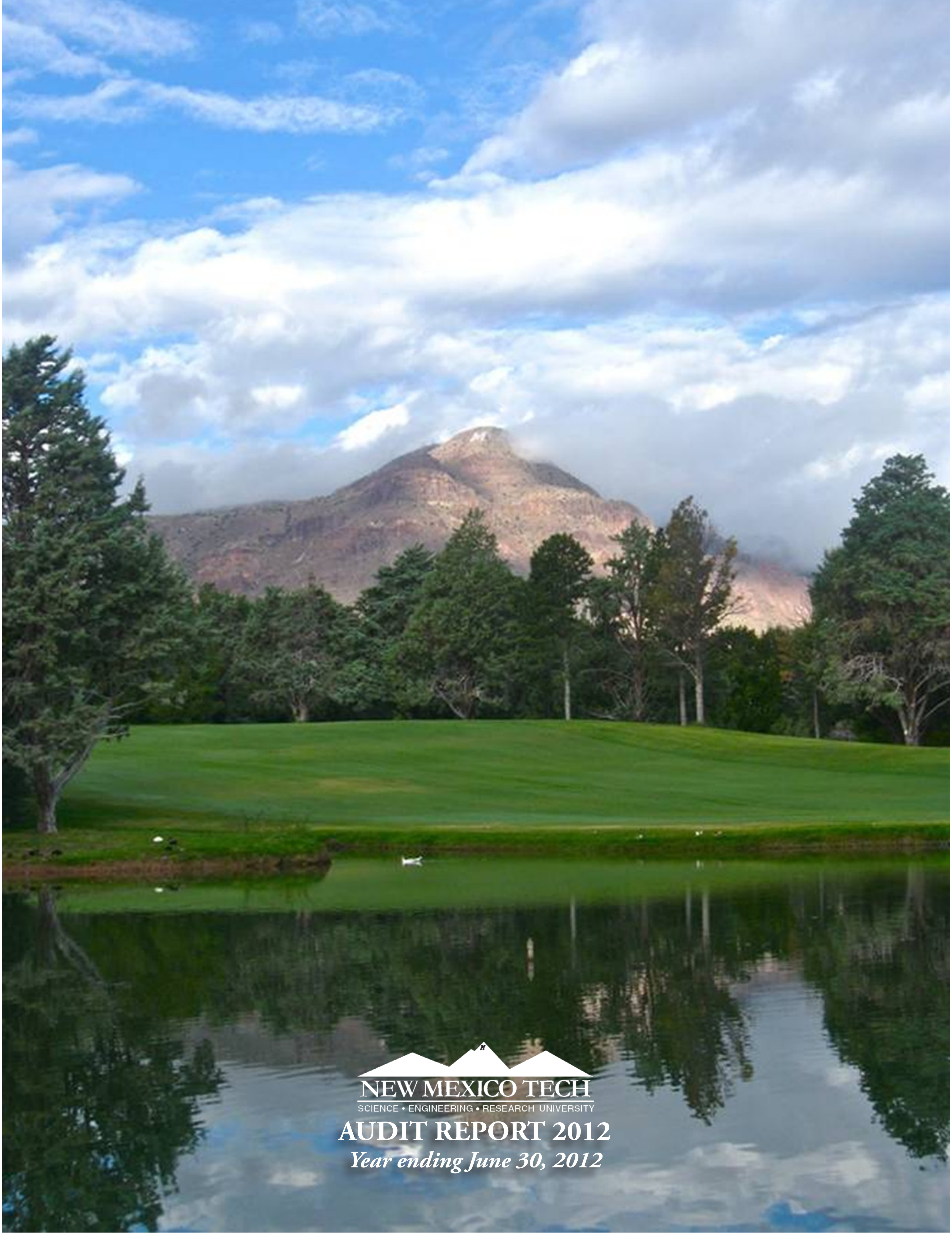

NEW MEXICO TECH

SCIENCE • ENGINEERING • RESEARCH UNIVERSITY

AUDIT REPORT 2012

Year ending June 30, 2012

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PRECISE. PERSONAL. PROACTIVE.

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SINGLE AUDIT SECTION

New Mexico Institute of Mining and Technology

OFFICIAL ROSTER

June 30, 2012

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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

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, 2012, as listed in the table of contents. We have also audited the budgetary comparison statements presented as supplementary information for the year ended June 30, 2012, as listed in the table of contents. These financial statements and budgetary comparisons are the responsibility of the Institute's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 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, 2012, and the changes in its financial position its cash flows, for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities, each discretely presented component unit and the fiduciary fund of the Institute as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles. In addition, in our opinion, the budgetary comparisons referred to above present fairly, in all material respects the budgetary comparison statements for the year ended June 30, 2012 in conformity with the budgetary basis of accounting prescribed by the New Mexico Administrative Code, and more fully described in Note A, which is a comprehensive basis of accounting other than accounting U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012, on our consideration of the Institute's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Institute's basic financial statements and budgetary comparison schedules. The accompanying schedules of bonds, joint powers agreement, deposit collateral and changes in assets and liabilities - agency fund - employee benefit trust, and the accompanying schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, audits of states, local governments, and non-profit organizations (Circular A-133) are presented for purposes of additional analysis and are 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 13, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2012

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, 2012. Also included for comparison purposes is a 2011 financial summary. This annual report marks the ninth 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 Assets (SNA);
- Statement of Revenues, Expenses and Changes in Net Assets (SRECNA); and
- Statement of Cash Flow.

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

Statement of Net Assets (SNA)

The Statement of Net Assets is a report of the financial and capital resources managed by New Mexico Tech. The SNA is a summary of New Mexico Tech's assets and liabilities, and it is a "snapshot" of New Mexico Tech at the close of business at the date of the statement, in this case, June 30, 2012.

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

	Balance June 30, 2012 (In Thousands)	Balance June 30, 2011 (As Restated) (In Thousands)	Difference	% Change
Current Assets				
Cash and cash equivalents	$ 28,035	$ 41,440	$ (13,405)	-32.3%
Short-term investments	30,063	16,988	13,075	77.0%
Receivables, net	16,448	4,544	11,904	262.0%
Inventories	1,592	1,446	146	10.1%
Other assets	2,327	2,253	74	3.3%
	78,465	66,671	11,794	17.7%
Non-Current Assets				
Restricted cash and cash equivalents	1,611	486	1,125	231.5%
Endowment investments	25,348	29,336	(3,988)	-13.6%
Other long-term investments	34,974	34,193	781	2.3%
Capital assets, net	139,760	136,389	3,371	2.5%
	201,693	200,404	1,289	0.6%
Total Assets	$ 280,158	$ 267,075	$ 13,083	4.9%
Current Liabilities	$ 13,669	$ 14,034	$ (365)	-2.6%
Total Current Liabilities	13,669	14,034	(365)	-2.6%
Non-Current Liabilities	23,003	10,398	12,605	121.2%
Total Non-Current Liabilities	23,003	10,398	12,605	121.2%
Total Liability	36,672	24,432	12,240	50.1%
Net Assets - Capital				
Capital assets, net	139,760	136,389	3,371	2.5%
Restricted net assets	82,509	77,634	4,875	6.3%
Unrestricted net assets	21,217	28,620	(7,403)	-25.9%
Total Net Assets	243,486	242,643	843	0.3%
	$ 280,158	$ 267,075	$ 13,083	4.9%

Total assets increased $13.4 million or 5.0 percent. Several categories in the asset classification had significant changes during the fiscal year.

- Cash and Cash Equivalents decreased $13.4 million due to the reduced research activity at for FY 2012.

- Short-Term Investments increased by $13 million due to the bond fund invested with the NM State Treasurer. The new funds, $14.0 million, are from the NMIMT System Revenue Bond, Series 2011 deposited in August 2011.

- Net Receivables increased by $11.9 million, mainly in Grant Receivables, due to several firm fixed-price contracts which began in the latter part of FY12, but not invoiced until FY13.

- Restricted Cash increased $1.1 million because prepaid Magdalena Research Observatory (MRO) funds were received.

- Total Liabilities increased $12.2 million. The balance due for bond mentioned above is $12.1 after a payment made June 2012.

Net Assets is divided into three categories:

- Invested in capital assets, net of related debt: This category consists of capital assets reduced by outstanding debt and accumulated depreciation. The net increase is $9 million. The hot water loop project was capitalized during the year.

- Restricted net assets: 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 increased $4.9 million. The increase includes the completion and capitalization of the hot water loop and the new Macey Family Children's Center.

- Unrestricted net assets: This category reports the assets available to New Mexico Tech for any lawful purpose. These funds decreased $7.4 million, due mostly to a restatement of the accounts receivable in the endowment funds.

Statement of Revenue, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets (SRECNA) is a report of New Mexico Tech's economic activity for the twelve-month period or fiscal year ending June 30, 2012. The SRECNA reports the revenues and expenses for one-year's activity, unlike the SNA, which is a snapshot of New Mexico Tech as of the date of the statement. Operating and non-operating revenues and expenditures are reported in this statement.

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 $14.5 million.
- Net tuition revenue increased $1.1 million.
- Grants and contracts revenue decreased $19.8 million.
- All other operating income increased $4.2 million.

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

- Total operating expenses decreased $23.4 million.
- Research and other sponsored expenditures decreased $18.8 million.
- The net operating loss for this fiscal year is $42.4 million compared to last year's net operating loss of $51.3 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 $10.9 million compared to last year. All categories in this area decreased with the largest decreases in state appropriations of $2.5 million, additions to permanent endowment of $2.3 million, and capital appropriations of $1.5 million.

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

	June 30, 2012 (In Thousands)	June 30, 2011 (As Restated) (In Thousands)	Difference	%
Operating Revenue				
Tuition and fees	$ 11,380	$ 10,139	$ 1,241	12.2%
Less discount allow	(3,195)	(3,033)	(162)	5.3%
G&C	71,583	91,430	(19,847)	-21.7%
State L&P	1,361	1,407	(46)	-3.3%
Sales and service aux	5,688	5,582	106	1.9%
Less discount allow	(1,162)	(1,175)	13	-1.1%
Other	11,806	7,656	4,150	54.2%
	97,461	112,006	(14,545)	-13.0%
Operating Expense				
Instruction	15,286	15,000	286	1.9%
Academic support	1,754	1,540	214	13.9%
Student services	2,005	1,824	181	9.9%
Institutional support	6,797	6,103	694	11.4%
O&M	5,869	5,062	807	15.9%
Research	70,183	89,012	(18,829)	-21.2%
Public service	579	1,657	(1,078)	-65.1%
Student aid	8,085	7,539	546	7.2%
Auxiliaries	5,087	4,787	300	6.3%
Less discount allow	(4,357)	(4,208)	(149)	3.5%
Compensated abs	-	3,114	(3,114)	-100.0%
Depreciation	9,185	9,807	(622)	-6.3%
Independent ops	3,867	4,026	(159)	-3.9%
Plant funds	2,443	6,140	(3,697)	-60.2%
Other	13,126	11,914	1,212	10.2%
	139,909	163,317	(23,408)	-14.3%
Operating Loss	(42,448)	(51,311)	8,863	-17.3%
Non-Operating Revenue				
State appropriation	34,825	37,365	(2,540)	-6.8%
Gifts	806	887	(81)	-9.1%
Int and investment income	66	102	(36)	-35.3%
Other	3,555	8,133	(4,578)	-56.3%
Capital appropriation	2,742	4,208	(1,466)	-34.8%
Add to perm endow.	1,296	3,568	(2,272)	-63.7%
	43,290	54,263	(10,973)	-20.2%
Operating Revenue	97,461	112,006	(14,545)	-13.0%
Non-Operating Revenue	43,290	54,263	(10,973)	-20.2%
Total Revenue	$ 140,751	$ 166,269	$ (25,518)	-15.3%
Total Operating Expense	$ 139,909	$ 163,317	$ (23,408)	-14.3%

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 (used) by operating activities.

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

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.

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 project is estimated to cost $24 million. The building will be located on Bullock Avenue next to the MSEC Building. Architectural designs were completed. The bond was approved of 2012 November general election. The number one capital project request for the 2013 New Mexico Legislature is $6 million to fully fund the building construction cost.

The Fall 2012 freshman and transfers class was again the largest ever at New Mexico Tech, 453 new students enrolled. The need for additional dormitory space is a high priority because of the lack of beds to accommodate new and returning students. Architectural services and a construction contract were procured to build a new dormitory. The building site for the new dormitory is the south end of the Athletic Field. Construction is under way and is expected to be completed by June 2013. The estimated cost of the project is $10 million, including construction, site preparation and furniture and fixtures. 150 beds will be added to New Mexico Tech when construction is completed. Construction began June 2012.

State of New Mexico capital funds cannot be used to build an auxiliary building; therefore, the following bond was issued on August 5, 2011 to construct the dormitory:

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 will be 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. $12 million is dedicated to the construction of the new dormitory and other capital to other dormitories on campus, and $3 million is dedicated for equipment and construction of the Magdalena Ridge Observatory project.

The new children's day care center was built south of Macey Center. The construction cost was $1.4 million, and it was funded by private sources. A dedication for the center was held in May 2012. The donors were present for the dedication.

Currently Known Facts

Enrollment

Enrollment at New Mexico Tech continues to remain relatively unchanging for the last four 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.

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 2014. New Mexico Tech's I&G budget for FY 2013 is $25.6 million compared to $25.1 million in FY 2012. I&G funding is still less the FY 2009, but as state revenues return increase, funding for higher education will rise.

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 has been 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 has been accomplished for the last five years, and it will continue to be a goal in the future. However, as the enrollment grows the pressure for new faculty increases. New funding for FY 2013 helped replace faculty lost the last two years because of budget cuts. Students that graduate from New Mexico Tech continue to get entry level employment in the $60,000 dollar and above pay range.

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. For the research University they are graduate students who complete 18 hours a year, undergraduate students who complete their junior status in three years, and research expenditures. In other words, it will fund outputs instead of inputs. The 2013 state fund for higher education is based on the new funding formula. All future budget increases and decreases will be based on the new formula.

Concern for future enrollment is based on the same circumstances that existed last year; 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.

State revenue forecasts for fiscal year 2013 have increased. It is uncertain of the impact to higher education. The impact of the funding formula for New Mexico for fiscal year 2014 is unclear as of the date of this report.

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

New Mexico Tech was able to award a 2% salary increase across the board for all employees for FY 2013. Additionally, the increase in state revenues shifted the retirement increases that were passed on to the employees in FY 2012 back to the state budget in FY 2013. These actions increased the employees' take home pay compared to previous years.

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:

FY12 $70,182,241
FY11 $89,011,611
FY10 $88,229,977
FY09 $86,804,777

Research at New Mexico Tech declined for the first time in several years from $89 million in 2011 to $70 million in 2012. The decrease is noted on the following programs: Department of Defense $7.7 million, Navy (MRO) $3.9 million, Department of Energy $2.2 million and the Department of Justice, International Law Enforcement Academy (ILEA) contract has terminated $2.6 million.

New Mexico Tech federal research programs are impacted by the cutback in Washington D.C. and the federal governments continued use of the continuing resolutions to fund the federal budget.

Playas Training and Research Center (PTRC) operations were completely revamped in May 2012. The original business plan for the facility was to use the town's asset to support the training mission. After several years of this operation method a decision was made that this model was inefficient and costly. All the employees who worked at Playas were laid off reducing the overhead for the facility by $2.0 million. A new operating model was adopted effective immediately.

The new business model for PTRC will operate as a contractor operated facility. This model takes advantage of a contractor to perform the training services, thereby reducing the manpower provided by New Mexico Tech to operate PTRC. Only when necessary, EMRTC personnel will travel to Playas to assist in any ongoing training. If no training is occurring, no one from EMRTC will be required to be present. All the costs are now passed on to the operator contractor and to the contract when applicable.

To date, PTRC training operations continue without any loss of service to any programs. The financial results are encouraging for the first four months of FY 2013. Additionally, contracts in the pipeline through May of 2013 are valued at $7.0 million.

The Bureau of Geology and Mineral Resources and the Petroleum Research and Recovery Center are operating within their financial restraints, despite being funded by the state as Research and Public Service Projects and receiving deeper budget cuts for the fiscal year 2012. The budgets are being closely monitored by their staff.

The Magdalena Ridge Observatory interferometer is still under construction, but completion is expected to be on schedule. Future funding for the interferometer is highly dependent on the federal government approving the current budget. The single telescope is operational and has participated in many astronomical projects. Funds were made available from the 2012 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. 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. The most recent revenue forecast for the State of New Mexico is promising for any future funding growth for higher education. Oil and gas revenues for the state are beginning to increase. New Mexico Tech will continue to monitor the expenditures we can control, including new hires on the I&G budget, and reducing travel and supplies. Any unnecessary expenses are being eliminated. The New Mexico Tech staff has been very cooperative in complying with the budget cuts. The reductions in funds have required everyone to pick up additional duties to deliver the educational mission. However, pressure is beginning to grow for faculty and staff because no salary increases have been given.

The research and public services programs are aggressively seeking new funding. Because of New Mexico Tech's national and international reputation as an outstanding research university, their services are in demand. The research programs enhance the teaching, research and economic development missions of New Mexico Tech, the local community and the state. The State of New Mexico is aggressively reviewing all research and public service programs to reduce the state funding they receive.

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.

Capital Projects

The Magdalena Ridge Observatory construction 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.

The number one capital funding request from the 2010 New Mexico State Legislature is the construction of a new Geology Building to house the Bureau of Geology and Mineral Resources. The estimated cost for the first phase of the new building is estimated to be $24.0 million for a 65,000 square-foot building to be located west of the Library on Bullock Street. The Higher Education Department and the New Mexico Department of Finance and Administration support the new building. The New Mexico 2012 General Obligation Bond was passed by voters in the November 2012 election. New Mexico Tech will receive $18.0 million for the building. $6.0 million is the top-priority capital fund request for the 2013 legislative session.

Requests for Information

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

New Mexico Institute of Mining and Technology

STATEMENT OF NET ASSETS

June 30, 2012

	Institute	Component Units: Research Park	Component Units: Foundation
ASSETS			
Current Assets			
Cash and cash equivalents	$ 28,035,056	$ 14,547	$ 380,379
Short-term investments	30,063,420	-	16,978,168
Contract and grant receivables	13,210,785	-	-
Student accounts receivable, net of allowance for doubtful receivables of $448,446	314,242	-	-
Other accounts receivable	2,922,690	30,000	144,959
Inventories	1,591,601	-	-
Other assets	2,327,419	-	134,302
Total current assets	78,465,213	44,547	17,637,808
Noncurrent Assets			
Restricted cash and cash equivalents	1,611,085	-	-
Endowment investments	25,347,973	-	-
Other long-term investments	34,973,750	59,339	1,326,635
Capital assets, net of accumulated depreciation	139,760,406	-	1,397,885
Total noncurrent assets	201,693,214	59,339	2,724,520
Total assets	**$ 280,158,427**	**$ 103,886**	**$ 20,362,328**

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

New Mexico Institute of Mining and Technology

STATEMENT OF NET ASSETS - CONTINUED

June 30, 2012

		Component Units	
	Institute	Research Park	Foundation
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	$ 7,351,195	$ -	$ 119,211
Accrued compensated absences - current portion	3,240,000	-	-
Bonds payable - current portion	450,000	-	-
Due to primary government	-	39,078	-
Other liabilities	-	-	1,071,224
Deposits	204,098	-	-
Deferred revenue	2,424,344	-	-
Total current liabilities	13,669,637	39,078	1,190,435
Noncurrent Liabilities			
Accrued compensated absences	4,700,022	-	-
Bonds payable	13,303,157	-	-
Other noncurrent liabilities	5,000,000	-	-
Total noncurrent liabilities	23,003,179	-	-
Total liabilities	36,672,816	39,078	1,190,435
NET ASSETS			
Invested in capital assets	139,760,406	-	1,397,885
Restricted for			
Nonexpendable			
Endowments and all other nonexpendable	53,496,344	-	2,120,509
Expendable			
Scholarships, research, instruction, and other	4,794,497	-	-
Loans	1,651,161	-	-
Capital projects	21,739,364	-	-
Debt service	827,331	-	-
Unrestricted	21,216,508	64,808	15,653,499
Total net assets	243,485,611	64,808	19,171,893
Total liabilities and net assets	**$ 280,158,427**	**$ 103,886**	**$ 20,362,328**

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 ASSETS

June 30, 2012

	Institute	Component Units	
		Research Park	Foundation
OPERATING REVENUES			
Tuition and fees	$ 11,379,998	$ -	$ -
Tuition discounts and allowances	(3,194,758)	-	-
Federal grants and contracts	50,083,709	-	-
State and local grants and contracts	3,105,113	-	-
Private grants and contracts	14,837,221	-	-
Other grants and contracts	3,556,890	-	-
State land and permanent fund income	1,361,280	-	-
Sales and services of auxiliary enterprises	5,687,916	-	-
Auxiliaries scholarship allowances	(1,161,811)	-	-
Other	11,805,943	-	123,175
Total operating revenues	97,461,501	-	123,175
EXPENSES			
Instruction and general			
Instruction	15,285,838	-	-
Institutional support	6,796,717	-	-
Operations and maintenance support	5,868,637	-	-
Student services	2,005,342	-	-
Academic support	1,754,206	-	-
Other sponsored activities	44,878,641	-	-
Research	25,303,600	-	-
Other expenditures	13,126,147	17,397	1,267,309
Depreciation and amortization	9,185,090	-	59,932
Student aid grants and stipends	8,084,764	-	-
Auxiliary enterprises	5,086,805	-	-
Independent operations	3,866,670	-	-
Plant funds	2,442,768	-	-
Public service	578,844	-	-
Expense related to tuition discounts and allowances	(4,356,569)	-	-
Total operating expenses	139,907,500	17,397	1,327,241
Operating (loss) income	(42,445,999)	(17,397)	(1,204,066)

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

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

June 30, 2012

		Component Units	
	Institute	Research Park	Foundation
NONOPERATING REVENUES			
State appropriations	34,825,123	-	-
Gifts	805,873	-	58,164
Interest and investment income	66,390	213	113,933
Net nonoperating revenues	35,697,386	213	172,097
(Loss) Income before other revenues and expenses	(6,748,613)	(17,184)	(1,031,969)
OTHER REVENUES			
Capital appropriations	2,741,774	-	-
Other	3,554,600	-	36,565
Additions to permanent endowments	1,295,826	-	549,549
Net other revenues	7,592,200	-	586,114
Net increase in net assets	843,587	(17,184)	(445,855)
Net assets, beginning of year before restatements	235,898,211	27,094	19,617,748
Prior period restatements	6,743,813	54,898	-
Net assets, beginning of year after restatements	242,642,024	81,992	19,617,748
Net assets, end of year	$ 243,485,611	$ 64,808	$ 19,171,893

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

New Mexico Institute of Mining and Technology

STATEMENT OF CASH FLOWS

June 30, 2012

	Institute	Component Units: Research Park	Component Units: Foundation
CASH FLOWS FROM OPERATING ACTIVITIES			
Tuition and fees	$ 8,036,035	$ -	$ -
Grants and contracts	66,427,372	-	-
Sales and services of educational activities	4,526,105	-	-
Other operating receipts	11,358,110	213	181,339
Payments to employees for salaries and benefits	(77,036,211)	-	-
Payments to suppliers	(61,358,571)	-	-
Other sources	-	(17,184)	(1,120,810)
Net cash (used in) operating activities	(48,047,160)	(16,971)	(939,471)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State appropriations	34,825,123	-	-
Gifts for other than capital purposes	805,873	-	-
Other nonoperating revenue	3,554,600	-	-
Unrealized gain on land grant permanent fund	1,295,826	-	-
Net cash provided by noncapital financing activities	40,481,422	-	-
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchases of investments	(13,395,000)	(10,000)	-
Proceeds from sales of investments	1,138,861	5,559	671,348
Cash received for notes receivable, net	-	178	154,341
Interest received on investments	66,390	-	113,933
Net cash (used in) provided by investing activities	(12,189,749)	(4,263)	939,622
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash paid for capital assets	(12,556,869)	-	-
Bond issuance received	14,208,759	-	-
Cash repayments on bond obligations	(455,602)		
Capital appropriations received	2,741,774		
Other	3,537,871	-	-
Net cash provided by capital and related financing activities	7,475,933	-	-
Net (decrease) increase in cash and cash equivalents	(12,279,554)	(21,234)	151
Cash and cash equivalents, beginning of year	41,925,695	35,994	380,228
Cash and cash equivalents, end of year	$ 29,646,141	$ 14,760	$ 380,379
Cash and cash equivalents			
Unrestricted	$ 28,035,056	$ 14,547	$ 380,379
Restricted	1,611,085	-	-
Total	$ 29,646,141	$ 14,547	$ 380,379

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, 2012

	Institute	Component Units Research Park	Component Units Foundation
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating loss	$ (42,445,999)	$ (17,184)	$ (1,204,066)
Adjustments to reconcile operating (loss) income to net cash used by operating activities			
Depreciation and amortization expense	9,185,090	-	59,932
Compensated absences adjustment	(6,373,898)	-	-
Other	-	-	10,000
Changes in assets and liabilities			
Student accounts receivable	(71,825)	-	-
Inventories	(145,665)	-	-
Other assets	(74,821)	-	-
Contract and grant receivables	(4,799,175)	-	-
Other receivables	(1,809,113)	-	13,402
Accounts payable and accrued expenses	(787,593)	-	-
Due to primary government	-	-	(102,172)
Deferred revenue	(356,386)	-	-
Student and other deposits	(2,559)	-	-
Compensated absences	(365,216)	-	-
Other payables	-	-	283,433
Net cash used in operating activities	$ (48,047,160)	$ (17,184)	$ (939,471)

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

New Mexico Institute of Mining and Technology

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS

Year Ended June 30, 2012

ASSETS		
Cash	$	1,121,938
Due from NMIMT		237,331
Short-term investments		944,781
Total assets	$	2,304,050
LIABILITIES		
Accounts payable	$	936,595
Due to NMIMT		800,000
Other accrued liabilities		168,028
Claims incurred but not reported		380,846
Deposits held in custody for others		18,581
Total liabilities	$	2,304,050

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

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 June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This was followed by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* in November 1999; which applied GASB 34 to Public Colleges and Universities.

In May 2002, Governmental Accounting Standards Board issued Statement No. 39. The statement established standards for identifying a component unit through evaluation of the reporting entity and significance of certain related party transactions, defined as potential component units. Depending on the results of the GASB 39 evaluation, financial information of related parties determined to be component units could be required to be included in the financial statements of the reporting entity.

In evaluating how to define the Institute for financial reporting purposes, management has evaluated the Institute's potential component units. The basic, but not the only, criterion for including a potential component unit as part of the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability of responsibility include, but are not limited to, the selection of governing authority, the

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Reporting Entity – Continued

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 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.

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

The New Mexico Tech University Research Park Corporation (the Corporation), is a New Mexico 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 inclusion of the assets and income of the Foundation as a component unit of the Institute for accounting purposes only, has been directed by the Office of the State Auditor of New Mexico. It is, however, noted that as between the Institute and the Foundation, an agreement was reached on November 25, 2001 stating: "The Institute understands and agrees that the Foundation is not controlled by the Institute, but is controlled by the Foundation Board of Trustees." Thus, for all purposes, except accounting purposes, the Foundation has no obligation to provide resources and earnings to the Institute, except by action of the Foundation's Board of Trustees. The Foundation’s Board of Trustees is not appointed by the Institute and is made up of four persons with no employment relationship with the Institute and only four persons with such a relationship. The Institute does not provide financial assistance to the Foundation, the Foundation pays rent for the space,

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Reporting Entity – Continued

which it occupies in one of the buildings owned by the Institute, and the Institute does not control the Foundation Board of Directors. Therefore, the Foundation has the ability to direct its resources and income at its sole discretion.

3. Basis of Accounting

For financial reporting purposes, under GASB 34, GASB 35 and the 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.

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 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 U.S. generally accepted accounting principles (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 assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously required.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. <u>Basis of Accounting – Continued</u>

The Institute has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Institute has elected to not apply FASB pronouncements issued after the applicable date.

4. <u>Estimates</u>

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. <u>Budget</u>

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.

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 unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses and changes in net assets. The carrying value of investments is based on quoted market prices.

Investments are made in accordance with the Constitution of the State of New Mexico and the policies of the Board of Regents. The investment policy has been structured in accordance with the Uniform Prudent Investor Act, NMSA 47-7 (601-612).

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Investments – Continued

The Institute accounts for investment portfolio at the fair market value on June 30 of each fiscal year. Endowment income is reported each year on the fair market value of the investments. The investments are managed on a total return basis with 4.5% of the average five year market value being made available for expenditure, and the remaining returns retained in the funds to compensate for inflationary growth. In the case of reserves, allocated, and agency funds, the total returns will remain with the funds until these funds are required to be expended for the purposes for which they were established. Capital gains reported for the endowment fund pooled investments for fiscal year ending June 30, 2012 were $1,063,583. Endowment income made available for distribution for the established purpose was $865,293. 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.

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. Provision for uncollectible student accounts is recorded to maintain an adequate allowance for anticipated losses.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Other Receivables

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

14. Other Assets

Other assets 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 assets.

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 2012 (see Note F).

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

Depreciation on all assets is provided on the straight-line basis over estimated useful lives with no salvage value. The Institute estimates the useful lives of fixed assets as follows:

Non-major infrastructure networks and land	30 years
Building	30 years
Furniture, fixtures and equipment	5 - 12 years
Library materials	10 years

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 2012, are shown as deferred income in the accompanying financial statements since the session was not completed at June 30, 2012. Deferred revenues also include amounts received from grant and contract sponsors that have not 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 Assets

The Institute's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt: This represents the Institute's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. The Institute has bond obligations of $13,753,157 for purposes of constructing a dormitory. There has not been any significant costs incurred for that project at June 30, 2012.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

20. Net Assets – Continued

Restricted Net Assets – Expendable: Restricted expendable net assets include resources which the Institute is obligated to spend in accordance with restrictions imposed by external third parties. Restrictions imposed on asset use can be imposed by creditors (such as through debt covenants), grantors, contributors or 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 assets restricted by enabling legislation and the amount of restricted net assets from state sources was $0 at June 30, 2012.

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

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

21. Revenues

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

Operating Revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts, and Federal appropriations, and (4) interest on institutional student loans.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

21. Revenues – Continued

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

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

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 assets. The resources of these funds are excluded from the business type activity financial statements because they cannot be used to finance the Institute's operations.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

25. Appropriations

In general, unexpended state appropriations to the Institute do not revert at the end of each fiscal year. (None of the current appropriations received are subject to reversion. NMSA 1978 6-4-2.) The Institute received an annual non-reverting state General Fund appropriation of approximately $36,756,900 for fiscal year 2012, Laws 2011, Chapter 179, Section 4. The appropriation was fully spent during the year. There is no remaining balance to bring forward to fiscal year 2013. The 2011 appropriation of $39,197,069 was fully spent during the prior year.

26. Permanent Land 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 19-1-17 1978 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 13, 2012, the date at which the financials were available for issuance, to determine whether such events should be recorded or disclosed in the consolidated financial statements for the year ended June 30, 2012. 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.

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, 2012, the Institute's custodial credit risk was as follows:

NOTE B – CASH AND INVESTMENTS – CONTINUED

2. Custodial Credit Risk – Deposits – Continued

Bank balance insured or collateralized in the Institute's name	$	38,843,112
Uninsured and uncollateralized		(3,957,829)
	$	34,885,283

The remaining balance of $30,016,788 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.

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.

NOTE B – CASH AND INVESTMENTS – CONTINUED

3. Investments – Continued

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.

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, 2012			
New MexiGROW LGIP	AAAm rated	$30,016,768	60 day WAM

A detail of the cash accounts at June 30, 2012 is included below:

New Mexico Institute of Mining and Technology

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciled Items	Reconciled Balance
Bank of America	IERA Cash on Deposit	Checking	$ 17,084	$ -	$ 17,084
First State Bank	Comptroller Cash on Deposit	Checking	29,765,622	(528,579)	29,237,043
First State Bank	Payroll Cash on Deposit	Checking	154,529	(1,432,921)	(1,278,392)
First State Bank	NMEAF Cash on Deposit	Checking	139,584	6,394	145,978
First State Bank	Stafford Loan Cash on Deposit	Checking	16,971	-	16,971
First State Bank	MRO Cash on Deposit	Checking	1,465,234	(127)	1,465,107
Wells Fargo	Vendor Cash on Deposit	Checking	2,029,208	(2,038,050)	(8,842)
Western Bank	Playas Cash on Deposit	Checking	6,044	5,126	11,170
			33,594,276	(3,988,157)	29,606,119
	Petty Cash	Cash	-	-	40,022
			$ 33,594,276	$ (3,988,157)	$ 29,646,141

NOTE B – CASH AND INVESTMENTS – CONTINUED

3. Investments – Continued

Agency Fund

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciled Items	Reconciled Balance
Wells Fargo	Employee Ben. Trust Oper.	Checking	$ 1,127,808	$ (6,956)	$ 1,120,852
Wells Fargo	Employee Ben. Trust Claims	Checking	23,177	(22,091)	1,086
			$ 1,150,985	$ (29,047)	$ 1,121,938

Investments of the Institute consist of the following at June 30, 2012:

	Market Value
Short-term	$ 30,063,420
Endowment	25,347,973
Other long-term	34,973,750
	90,385,143
Agency fund	944,781
	$ 91,329,924

NOTE B – CASH AND INVESTMENTS – CONTINUED

3. Investments – Continued

	Balance per Custodian Statements	Reconciled Balance per Books
Investment accounts		
Citigroup		
Langmuir endowment		
Money Market funds	$ 191,048	$ 191,048
Mutual funds	626,325	626,325
Certificates of Deposit	100,000	100,000
Stocks	1,421,076	1,421,076
NMT Capital Campaign		
Money Market funds	251,798	251,798
Mutual funds	545	545
Stocks	391,171	391,171
State Investment Council Pooled Fund	35,374,679	35,374,679
State Investment Council Pooled Fund - Agency Fund	944,781	944,781
State Treasurer - LGIP	29,951,419	29,951,419
State Treasurer - LGIP - Agency Fund	65,349	65,349
State Investment Council Permanent Fund	21,965,087	21,965,087
Other	46,646	46,646
	$ 91,329,924	$ 91,329,924

NOTE B – CASH AND INVESTMENTS – CONTINUED

3. Investments – Continued

A summary of the Institute's investments at June 30, 2012 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	$ -	$ -	$ 442,846
Certificate of Deposit	-	-	100,000
Mutual Funds	-	-	626,870
	$ -	$ -	1,169,716
Investments not subject to categorization			
State Investment Council pooled funds			
Fixed income securities			24,130,918
Equity securities			12,123,193
			36,254,111
State Treasurer			30,016,768
State Investment Council - Permanent Fund			21,965,087
Common stocks			1,812,247
Other			111,995
			53,906,097
Total investments			$ 91,329,924

NOTE B – CASH AND INVESTMENTS – CONTINUED

4. State Investment Council Assets

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

5. Credit Risk-Debt Investments

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 Standard & Poors and by Moody's, time deposits U.S. banks. Exclusive of the U.S. government and agency issues, all other fixed income portfolio will be "A" or better rated as established by a recognized rating service and further reinforced by independent in-house credit analyses.

A summary of the investments at June 30, 2012 and their exposure to credit risk are as follows:

Investments	WAM Years	Rating	Fair Value
Money funds	-	Not rated	$ 442,274
Certificate of deposit	-	Not rated	100,000
Mutual Funds	-	Not rated	626,870
State Treasurer - LGIP	0.07	AAAm	31,016,768
Investments not subject to categorization			
State Investment Council pooled funds (not rated)			35,254,682
State Investment Council permanent funds (not rated)			21,965,088
Common stocks			1,812,247
Other			111,995
Total investments			$ 91,329,924

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, 2012 and their exposure to interest rate risk are as follows:

	Investment Maturities				
	Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years	Fair Value
Money funds	$ 442,846	$ -	$ -	$ -	$ 442,846
Certificates of deposit	100,000	-	-	-	100,000
Mutual funds	626,870	-	-	-	626,870
Items subject to interest rate risk	$ 1,169,716	$ -	$ -	$ -	1,169,716
State Treasurer - 24 day weighted average maturity					30,016,768
Investments not subject to categorization					
State Investment Council pooled funds (not rated)					36,254,111
State Investment Council Land Grant Permanent Fund (not rated)					21,965,087
Common stocks					1,812,247
Other					111,995
Total investments					$ 91,329,924

NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2012:

Grant and contracts	$ 13,210,785
Students	762,688
Other receivables	2,922,690
Total receivables	16,896,163
Allowance for doubtful accounts	(448,446)
Net receivables	$ 16,447,717

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.

NOTE D – CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2012:

	Balance 6/30/2011, Before Restatement	Prior Period Adjustment	Balance 6/30/2011, As Restated	Additions	Transfers	Retirements	Balance June 30, 2012
Land	$ 4,334,220	$ -	$ 4,334,220	$ -	$ -	$ -	$ 4,334,220
Other	-	-	-	102,841	-	-	102,841
Construction in progress	5,066,988	4,494,627	9,561,615	6,460,244	(9,600,545)	(659,667)	5,761,647
Total assets not being depreciated	$ 9,401,208	$ 4,494,627	$ 13,895,835	$ 6,563,085	$ (9,600,545)	$ (659,667)	$ 10,198,708
Non-major infrastructure networks	$ 21,814,641	$ -	$ 21,814,641	$ 526,649	$ 7,735,007	$ -	$ 30,076,297
Land improvements	4,704,506	-	4,704,506	-	-	-	4,704,506
Buildings	148,302,281	-	148,302,281	2,239,269	1,865,538	(143,340)	152,263,748
Furniture, fixtures, and equipment	54,711,866	584,270	55,296,136	3,240,464	-	(299,172)	58,237,428
Software	1,639,130	-	1,639,130	-	-	-	1,639,130
Library materials	14,772,754	244,108	15,016,862	790,182	-	(358,218)	15,448,826
Total other capital assets	$ 245,945,178	$ 828,378	$ 246,773,556	$ 6,796,564	$ 9,600,545	$ (800,730)	$ 262,369,935

NOTE D – CAPITAL ASSETS – CONTINUED

	Balance 6/30/2011, Before Restatement	Prior Period Adjustment	Balance 6/30/2011, As Restated	Additions	Transfers	Retirements	Balance June 30, 2012
Non-major infrastructure networks	$ (8,837,459)	$ -	$ (8,837,459)	$ (787,934)	$ -	$ -	$ (9,625,393)
Land improvements	(2,333,086)	-	(2,333,086)	(156,816)	-	-	(2,489,902)
Buildings	(59,335,688)	-	(59,335,688)	(4,189,952)	-	35,947	(63,489,693)
Furniture, fixtures, and equipment	(43,700,538)	-	(43,700,538)	(3,253,787)	-	263,445	(46,690,880)
Software	(109,276)	-	(109,276)	(191,231)	-	-	(300,507)
Library materials	(10,235,794)	271,084	(9,964,710)	(605,370)	-	358,218	(10,211,862)
Total accumulated depreciation	$ (124,551,841)	$ 271,084	$ (124,280,757)	$ (9,185,090)	$ -	$ 657,610	$ (132,808,237)
Capital assets summary							
Capital assets not being depreciated	$ 9,401,208	$ 4,494,627	$ 13,895,835	$ 6,563,085	$ (9,600,545)	$ (659,667)	$ 10,198,708
Other capital assets, at cost	245,945,178	828,378	246,773,556	6,796,564	9,600,545	(800,730)	262,369,935
Total cost of capital assets	255,346,386	5,323,005	260,669,391	13,359,649	-	(1,460,397)	272,568,643
Accumulated depreciation	(124,551,841)	271,084	(124,280,757)	(9,185,090)	-	657,610	(132,808,237)
Capital assets, net	$ 130,794,545	$ 5,594,089	$ 136,388,634	$ 4,174,559	$ -	$ (802,787)	$ 139,760,406

NOTE E – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012 is as follows:

	Prior to Restatement Balance June 30, 2011	Restatement	As Restated Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion (Due in 2013)
Non-current liabilities							
Accrued compensated absences	$ 14,679,136	$ (6,373,898)	$ 8,305,238	$ 3,348,731	$ (3,713,947)	$ 7,940,022	$ 3,240,000
Environmental cleanup	5,000,000	-	5,000,000	-	-	5,000,000	-
Bonds payable	-	-	-	14,208,759	(455,602)	13,753,157	450,000
Total assets not being depreciated	$ 19,679,136	$ (6,373,898)	$ 13,305,238	$ 17,557,490	$ (4,169,549)	$ 26,693,179	$ 3,690,000

Management determined compensated absences were over accrual during the past two years resulting in an understatement to unrestricted net assets and reversed the over accrual as a prior period restatement (see Note M).

NOTE E – LONG-TERM LIABILITIES – CONTINUED

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 $5,000,000 within non-current liabilities as of June 30, 2012.

NOTE F – BONDS PAYABLE

Long-term debt of the Institute at June 30, 2012 consisted of revenue bonds payable solely from the 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.

NOTE F – BONDS PAYABLE – CONTINUED

During FY 2012, the Institute issued only one new bond. On August 5, 2011, the Institute issued the NMIMT System Revenue Bonds, Series 2011, in the par amount of $13,395,000, maturing July 2031, and carrying interest rates from 3.00% to 5.00%. These bonds were Board approved in 2011 to fund the acquisition, construction, and equipping of a student housing facility, the construction of facilities to house a telescope and related improvements including the purchase of equipment and furnishings at the Magdalena Ridge Observatory, and other improvements to the facilities of the Institute.

Total Institute revenue bonded debt is as follows:

Purpose	Interest Rates	Amount
Capital improvements	3.00-5.00%	$ 12,975,000

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

Year Ended June 30,	Principal	Interest
2013	$ 450,000	$ 616,050
2014	460,000	602,550
2015	490,000	581,850
2016	500,000	557,350
2017	525,000	537,350
2018-2022	2,985,000	2,335,850
2023-2027	3,795,000	1,530,250
2028-2031	3,770,000	483,250
Total	$ 12,975,000	$ 7,244,500

Bonds payable of $13,753,157 include $778,157 of unamortized bond issue costs as of June 30, 2012.

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 $4,049,350 and employees contributed $4,063,890 to the Trust during the year ended June 30, 2012. At June 30, 2012, 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, 2012, the changes in reserves for claims and claims adjustment expenses are as follows:

Liability for claims and claims adjustment expenses at beginning of year	$ 529,467
Incurred claims and claims adjustment expenses	7,722,589
Payments, net of recoveries	(6,934,615)
Liability for claims and claims adjustment expenses at end of the year	$ 1,317,441

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, 2012 was $661,151, which has been charged to expenditures.

NOTE G – EMPLOYEE BENEFITS – CONTINUED

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

Funding Policy. Effective July 1, 2009 through June 30, 2011, plan members were 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 was 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. Effective July 1, 2011, 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 are required to contribute 11.15% 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 9.15% 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 stature 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, 2012, 2011 and 2010 were $7,957,492, $7,758,786, and $8,095,314, 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, 2012 is $617,562.

NOTE H – COMMITMENTS AND CONTINGENCIES – CONTINUED

1. Operating Leases – Continued

Future minimum rental payments required under operating leases is as follows for the years subsequent to June 30, 2012:

2013	$ 713,924
2014	307,373
2015	229,683
2016	164,711
2017	36,420
Thereafter	504,000
	$ 1,956,111

At June 30, 2012, 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 $28,405,400.

Construction obligations of $9,953,960 are not presented in the financial statements. These obligations represent unfinished contracts with various entities.

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, 2012, 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.

NOTE H – COMMITMENTS AND CONTINGENCIES – CONTINUED

3. State Risk Management Pool – Continued

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.

NOTE I – BOND ACCOUNTING

The Institute has periodically received severance tax and general obligation bonds appropriations for capital asset projects on the campus of the Institute. Bond accounting for the State of New Mexico was changed for fiscal year 2008; the new method conforms to DFA instructions based on Governmental Accounting Standards No. 33. Bond revenue is now 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	$ 144,784,754
Tuition discounts and allowances	(4,356,569)
Indirect cost recovery	(8,098,285)
Cost share adjustment	(420,155)
Additions to endowments	1,071,064
Deposits held for other	37,414
Investment in plant adjustment	(22,918)
L&P revenue recognition	(178,719)
Internal service revenue adjustment	5,917,107
AEGIS adjustment	1,696,121
Unbudgeted exhibits	10,029
Restricted funds accrual	311,244
Revenues per GAAP	$ 140,751,087

NOTE J – RECONCILIATION OF BUDGET BASIS TO GAAP – CONTINUED

Budget basis expenditures	$	147,930,462
Tuition discounts and allowances		(4,356,569)
Indirect cost recovery		(8,098,285)
Capital expenditures		(3,342,181)
Capital asset adjustment		(4,858,637)
Deposits held for other		64,481
Depreciation expense		9,185,090
Internal service revenue adjustment		5,917,107
Unbudgeted exhibits		(2,845,212)
Restricted funds accrual		311,244
Expenses per GAAP	$	139,907,500

NOTE K – 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 assets.

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

NOTE K – NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

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.

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.

NOTE K – NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

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, 2012, 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	$ 296,081	$ 23,970	$ 33,688	$ 353,739
FDIC coverage	(296,081)	(23,970)	(33,688)	(353,739)
Total uninsured funds	$ -	$ -	$ -	$ -
Custodial credit risk-deposits				
Account balance				$ 353,739
FDIC insured				(353,739)
Uninsured and uncollateralized				$ -
Total deposits				$ 353,739
Add: Money Market				26,640
Total deposits				$ 380,379

Deposit classification in the financial statements at June 30, 2012 follows:

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	Certificate	CD	33,688	-	33,688
Wells Fargo	Checking	Cash	23,969	-	23,969
Merrill Lynch	Investment	Money Market	26,640	-	26,640
			$ 1,172,779	$ (792,400)	$ 380,379

NOTE K – NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

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, 2012 are as follows:

Investments	Ratings	Fair Value
Held at Merrill Lynch investment account		
Equity securities	Not Rated	$ 40
Mutual funds	Not Rated	1,560,910
		1,560,950
Investments not subject to categorization		
State Investment Council pooled funds		
Fixed income securities		3,523,968
Equity securities		10,853,482
		14,377,450
Insurance annuity		1,039,768
Total investments		$ 16,978,168

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 $1,310,287 of which $142,490 is current and $1,167,797 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 $161,306 of which $2,469 is current and $158,837 is noncurrent. The note bears a 6% interest rate and is payable monthly over 36 months with remaining balance due at maturity. The outstanding balance at June 30, 2012 was $161,206.

NOTE K – NEW MEXICO TECH RESEARCH FOUNDATION – CONTINUED

11. Capital Assets

	2012			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	$ 163,150	$ -	$ (10,000)	$ 153,150
Other	130,501	-	-	130,501
Total capital assets not being depreciated	293,651	-	(10,000)	283,651
Capital assets being depreciated				
Building	1,648,127	-	-	1,648,127
Patents	8,021,841	-	(21,841)	8,000,000
Other intangibles	-	-	21,841	21,841
Accumulated depreciation building	(495,802)	(59,932)	-	(555,734)
Accumulated depreciation patents	(8,000,000)	-	-	(8,000,000)
Total capital assets being depreciated, net	1,174,166	(59,932)	-	1,114,234
Total capital assets, net	$ 1,467,817	$ (59,932)	$ (10,000)	$ 1,397,885

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 $1,039,766 at June 30, 2012. The insurance annuity was acquired to benefit the President of the Institute. The Foundation's annual contribution to the insurance annuity was $100,000 in 2012.

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

The Foundation leases an apartment building to the Institute. The lease is classified as an operating lease, and expires in June 2010 with an option to renew for an additional three years. Lease revenues were $96,600 for 2012.

NOTE L – 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, 2012, 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 $227,500 has been established for periods prior to the year ending June 30, 2012 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.

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, 2012, the Corporation's deposits were exposed to custodial credit risk as follows:

	First State
Total of deposits in the bank	$ 14,547
Less FDIC coverage	(14,547)
Total uninsured funds	$ -

Deposit classification in the financial statements at June 30, 2012 follows:

Name of Depository	Account Name	Bank Account Type	Bank Balance	Reconciling Items	Financial Statement Balance
First State Bank	Checking	Cash	$ 14,547	$ -	$ 14,547

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 Assets as in-kind lease revenue in the amount of $36,543 with an offset to in-kind lease expense in the same amount.

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

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

NOTE M – PRIOR PERIOD RESTATEMENTS

During 2012, it was determined that three prior period restatements were required to correct beginning net assets as follows:

Accrued compensated absences - overstatement	$	6,373,898
Capital assets - understatement		5,594,089
Accounts receivable - overstatement		(5,224,174)
	$	6,743,813

NOTE N – NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has published statements No. 67, *Financial Reporting for Pension Plans* and No. 68, *Accounting and Financial Reporting for Pensions*. 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 implementation date for statement No. 68, most relevant to the Institute is for FY 2014. The current status of the unfunded liability for ERB is $5.68 billion based on the most recently issued audited financial statement at June 30, 2011.

SUPPLEMENTARY INFORMATION

New Mexico Institute of Mining and Technology

COMBINED REVENUES AND EXPENDITURES
BUDGET COMPARISONS

Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	$ 38,444,989	$ 62,983,292	$ 60,922,747	$ (2,060,545)
Revenues				
State general fund appropriations	36,756,900	36,756,900	34,825,123	(1,931,777)
Restricted revenue sources	97,172,126	97,172,126	72,026,254	(25,145,872)
Tuition and fees	7,600,800	10,041,024	11,380,000	1,338,976
Land and permanent fund	1,050,000	1,050,000	1,539,999	489,999
Endowment earnings/private gifts	200,000	200,000	276,062	76,062
Other	13,069,717	13,069,717	24,737,316	11,667,599
Total revenues	155,849,543	158,289,767	144,784,754	(13,505,013)
Total revenues and balance budgeted	194,294,532	221,273,059	205,707,501	(15,565,558)
Expenditures				
Instruction and general	31,784,377	38,810,743	32,913,895	(5,896,848)
Student social and cultural	489,500	710,975	608,587	(102,388)
Research	99,620,344	108,115,889	81,671,153	(26,444,736)
Public service	610,500	1,095,693	578,842	(516,851)
Internal service departments	1,763,345	5,715,973	796,534	(4,919,439)
Student aid	10,225,215	10,412,154	9,085,591	(1,326,563)
Auxiliary enterprises	4,889,445	5,239,624	5,086,805	(152,819)
Intercollegiate athletics	212,000	235,448	232,878	(2,570)
Independent operations	3,859,774	4,202,905	5,138,331	935,426
Capital outlay	9,250,000	9,250,000	11,032,091	1,782,091
Renewal and replacements	1,281,327	1,281,327	46,433	(1,234,894)
Retirement of indebtedness	1,270,000	1,270,000	739,321	(530,679)
Total expenditures	165,255,827	186,340,731	147,930,461	(38,410,270)
Net transfers	(311,826)	(311,826)	(420,155)	5,491,695
Change in net assets-budgetary basis	(9,718,110)	(28,362,790)	(3,565,862)	30,396,952
Ending fund balances	$ 28,726,879	$ 34,620,502	$ 57,356,885	$ 28,336,407

New Mexico Institute of Mining and Technology

UNRESTRICTED CURRENT FUNDS - REVENUES AND EXPENDITURES
BUDGET COMPARISONS

Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	$ 38,444,989	$ 62,983,292	$ 61,302,393	$ (1,680,899)
Revenues				
Tuition	6,987,600	9,427,824	9,547,715	119,891
Miscellaneous fees	613,200	613,200	1,832,285	1,219,085
Government appropriation - federal	-	-	-	-
Government appropriation - state	36,756,900	36,756,900	34,825,123	(1,931,777)
Government appropriation - local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private gift/contracts	-	-	-	-
Endowments	200,000	200,000	224,762	24,762
Land and permanent fund	1,050,000	1,050,000	1,539,999	489,999
Private gifts	-	-	51,300	51,300
Sales and service	4,916,229	4,916,229	5,687,916	771,687
Other sources	8,153,488	8,153,488	19,049,400	10,895,912
Total revenues	58,677,417	61,117,641	72,758,500	11,640,859
Total revenues and balance budgeted	97,122,406	124,100,933	134,060,893	9,959,960
Expenditures				
Instruction and general	31,784,377	38,810,743	32,913,895	(5,896,848)
Student social and cultural	489,500	710,975	608,587	(102,388)
Research	8,690,467	17,186,012	8,045,341	(9,140,671)
Public service	610,500	1,095,693	578,842	(516,851)
Internal service departments	1,763,345	5,715,973	796,534	(4,919,439)
Student aid	3,982,966	4,169,905	4,770,682	600,777
Auxiliary enterprises	4,889,445	5,239,624	5,086,805	(152,819)
Intercollegiate athletics	212,000	235,448	232,878	(2,570)
Independent operations	3,859,774	4,202,905	3,923,891	(279,014)
Capital outlay	9,250,000	9,250,000	11,032,091	1,782,091
Renewal and replacements	1,281,327	1,281,327	46,433	(1,234,894)
Retirement of indebtedness	1,270,000	1,270,000	739,321	(530,679)
Total expenditures	68,083,701	89,168,605	68,775,300	(20,393,305)
Net transfers	(311,826)	(311,826)	(420,155)	(108,329)
Change in net assets-budgetary basis	(9,718,110)	(28,362,790)	3,563,045	31,925,835
Ending fund balances	$ 28,726,879	$ 34,620,502	$ 64,865,438	$ 30,244,936

New Mexico Institute of Mining and Technology

RESTRICTED CURRENT FUNDS - REVENUES AND EXPENDITURES
BUDGET COMPARISONS

Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	$ -	$ -	$ (379,646)	$ (379,646)
Revenues				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	20,000,000	20,000,000	-	(20,000,000)
Government appropriation - state	9,000,000	9,000,000	-	(9,000,000)
Government appropriation - local	-	-	-	-
Government grants - federal	49,650,000	49,650,000	49,772,463	122,463
Government grants - state	2,100,000	2,100,000	3,105,109	1,005,109
Contracts - local	-	-	3,414,496	3,414,496
Private gift/contracts	8,037,500	8,037,500	14,979,613	6,942,113
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	754,573	754,573
Sales and service	2,029,877	2,029,877	-	(2,029,877)
Other sources	6,354,749	6,354,749	-	(6,354,749)
Total revenues	97,172,126	97,172,126	72,026,254	(25,145,872)
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	97,172,126	97,172,126	72,026,254	(25,145,872)
Expenditures				
Instruction and general	-	-	-	-
Student social and cultural	-	-	-	-
Research	90,929,877	90,929,877	73,625,812	(17,304,065)
Public service	-	-	-	-
Internal service departments	-	-	-	-
Student aid	6,242,249	6,242,249	4,314,909	(1,927,340)
Auxiliary enterprises	-	-	-	-
Intercollegiate athletics	-	-	-	-
Independent operations	-	-	1,214,440	1,214,440
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
Total expenditures	97,172,126	97,172,126	79,155,161	(18,016,965)
Change in net assets-budgetary basis	-	-	(7,128,907)	(7,128,907)
Ending fund balances	$ -	$ -	$ (7,508,553)	$ (7,508,553)

New Mexico Institute of Mining and Technology

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

Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Beginning fund balances	$ 2,202,421	$ 6,554,730	$ 1,330,557	$ (5,224,173)
Revenues				
Tuition	6,987,600	9,427,824	9,547,715	119,891
Miscellaneous fees	613,200	613,200	837,467	224,267
Government appropriation - federal	-	-	-	-
Government appropriation - state	25,111,900	25,111,900	25,112,000	100
Government appropriation - local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	-	-	-	-
Contracts - local	-	-	-	-
Private gift/contracts	-	-	-	-
Endowment earnings	200,000	200,000	224,762	24,762
Land and permanent fund	1,050,000	1,050,000	1,539,999	489,999
Private gifts	-	-	-	-
Sales and service	-	-	-	-
Other sources	4,177,500	4,177,500	7,112,041	2,934,541
Total revenues	38,140,200	40,580,424	44,373,984	3,793,560
Expenditures				
Instruction	15,322,481	18,183,073	15,572,612	(2,610,461)
Academic support	2,424,694	2,680,191	2,656,797	(23,394)
Student services	2,044,546	2,377,689	2,003,593	(374,096)
Institutional support	7,227,725	9,791,185	6,800,928	(2,990,257)
Operation and maintenance of plant	4,764,931	5,778,605	5,879,965	101,360
Total expenditures	31,784,377	38,810,743	32,913,895	(5,896,848)
Net transfers	(6,385,966)	(5,181,609)	(10,209,941)	(5,028,332)
Change in net assets-budgetary basis	(30,143)	(3,411,928)	1,250,148	4,662,076
Ending fund balances	$ 2,172,278	$ 3,142,802	$ 2,580,705	$ (562,097)

New Mexico Institute of Mining and Technology

SCHEDULE OF DEPOSIT COLLATERAL

June 30, 2012

	Pledged Collateral: Safekeeping Location	Pledged Collateral: Type of Security	First State Bank Socorro, NM	Wells Fargo Socorro, NM	Bank of America Socorro, NM	Western Bank Lordsburg, NM	Total
Funds on deposit							
Deposits			$ 31,681,963	$ 2,652,384	$ 17,084	$ 6,044	$ 34,357,475
Sweep account			-	527,808	-	-	527,808
FDIC insurance							
Demand deposits			250,000	3,180,192	17,084	6,044	3,453,320
Savings deposits			250,000	-	-	-	250,000
Total uninsured public funds			$ 31,181,963	$ -	$ -	$ -	$ 31,181,963
Fifty percent collateral requirement per section 6-10-17 NMSA			$ 15,590,982	$ -	$ -	$ -	$ 15,590,982
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
Total collateral			35,139,792	-	-	-	35,139,792
Excess of pledged collateral over the required amount			$ 19,548,810	$ -	$ -	$ -	$ 19,548,810

New Mexico Institute of Mining and Technology

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

Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
ASSETS				
Cash	$ 254,398	$ 11,003,252	$ (10,135,712)	$ 1,121,938
Due from NMIMT	240,497	239,879	(243,045)	237,331
Short-term investments	936,517	10,955	(2,691)	944,781
	$ 1,431,412	$ 11,254,086	$ (10,381,448)	$ 2,304,050
LIABILITIES				
Accounts payable	$ -	$ 936,595	$ -	$ 936,595
Due to related parties	-	800,000	-	800,000
Other accrued liabilities	143,159	1,057,055	(1,032,186)	168,028
Liabilities for claims expense	529,467	-	(148,621)	380,846
Deposits held in custody for others	758,786	8,132,143	(8,872,348)	18,581
	$ 1,431,412	$ 10,925,793	$ (10,053,155)	$ 2,304,050

New Mexico Institute of Mining and Technology

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2012

Federal Grantor-Program Title	Funding Agency Identification Number / Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenses
Major Programs			
Research and Development			
Department of defense			
U.S. Army		12.Unknown	$ 6,347,710
U.S. Air Force		12.Unknown	2,046,420
U.S. Navy		12.Unknown	2,245,733
Department of Navy-MRO	N00173-01-2-C902	12.300	2,060,439
National Science Foundation			
Mathematical and Physical Sciences		47.049	2,659,588
ARRA - Mathematical and Physical Sciences		47.049	632,507
Department of Energy		81.Unknown	364,478
Fossil Energy (National Energy Technology Laboratory)		81.089	3,520,615
ARRA	DE-FE0001731	81.133	513,349
Department of the Interior			
U.S. Geological Survey		15.Unknown	228,262
Department of Health and Human Services	1R15CA135579-01A1	93.Unknown	13,813
National Aeronautics and Space Administration		43.Unknown	487,610
Department of Labor--Mine Safety	MS-22805-12-55-R-35/MS-21285-11-55-R-35	17.602	188,478
Total Direct Research and Development			21,309,002
Major Programs			
Research and Development-Pass throughs			
Department of Defense			
U.S. Army			
Battelle Memorial Institute	US001-0000322590	12.Unknown	143,732
U.S. Air Force			
University of New Mexico	433370-8746	12.800	10,863
University of New Mexico	798178-8746	12.Unknown	19,192
Defense Advanced Research Projects Agency			
Duke University	10-DARPA-1096	12.910	114,245
Defense Threat Reduction Agency			
University of New Mexico	798181-8746	12.Unknown	149,381
North Carolina State University	2008-0740-02	12.Unknown	(4,944)

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, 2012

Federal Grantor-Program Title	Funding Agency Identification Number / Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenses
Department of Energy			
DOE Labs			
Los Alamos National Labs	80123-001-10,88805-001-10/149608-1,73266-001-09,82762-001-10,156007-1,131480,162503-1,8805-001-10/178601-1,68300-001-08,BA88805-001-10/SUB 112863	81.Unknown	263,992
Sandia National Labs	994162,1241903,1011184,1054763,1161302,882847,1077079,1227483,1038962,1149178,1087223,998710,1096139,1096194,1124491,1183915,1200509,1130748,1071024,999720,1178371,1024798,1196871,1092320,985799,1146262,994162,1241903,1212703,10111184,1054763,1161302,882847,1077079,1227483,1038962,1149178,1087223,998710,1096139,1096194,1124491,1183915,1200509,1130748,1071024,999720,1178371,1024798,1196871,1092320,985799,1146262	81.Unknown	1,640,155
Other DOE Subs			
University of New Mexico	182002-8746	81.xxx	73,279
Research Corporation of the University of Hawaii	RE: DE-FC-06NT42847	81.xxx	11,449
Research Partnership to Secure Energy for America	07123-05/07-SCTA-98-NMT/07-SCTA98-NMT/MOD 13/09123-03/07123-07	81.xxx	334,160
ARRA - NM Energy, Minerals & Natural Resources Department	11-521-R1DOE00001-0043/94	81.xxx	90,443
Lea County	SUB DE-NT0005227	81.xxx	(37,900)
ARRA - University of Utah	10015030-NMGS	81.xxx	113,893
ARRA - Arizona Geological Survey	NM-EE0002850	81.xxx	116,154
Regents of New Mexico State University	EQ01316	81.xxx	22,349

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, 2012

Federal Grantor-Program Title	Funding Agency Identification Number / Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenses
NASA			
Regents of New Mexico State University	Q01522	43.xxx	2,758
Regents of New Mexico State University	Q01531	43.xxx	2,439
Regents of New Mexico State University	Q01533	43.xxx	2,291
Regents of New Mexico State University	Q01451	43.xxx	15,000
Regents of New Mexico State University	Q01376 -NNX09AP69A	43.xxx	252,973
Regents of New Mexico State University	Q01536	43.xxx	3,691
Regents of New Mexico State University	Q01507	43.xxx	2,450
Jet Propulsion Laboratory	RSA#1427781/NMO711043	43.xxx	67,760
Jet Propulsion Laboratory	SUB NO. 1361129	43.xxx	6,777
Jet Propulsion Laboratory	RSA NO. 1368478	43.xxx	4,765
Jet Propulsion Laboratory	SUB #1360839	43.xxx	43,570
Jet Propulsion Laboratory	1345729	43.xxx	875
Jet Propulsion Laboratory	RSA # 1344355	43.xxx	8,132
Jet Propulsion Laboratory	1383100/NASA NMO710769	43.xxx	3,703
Southwest Research Institute	A99185JD-NASA-NNM08AA04A	43.xxx	(2,326)
University of California	2012-2737	43.xxx	574
Department of Health & Human Services - NIH			
Regents of New Mexico State University	EQ01346	93.xxx	511,759
National Science Foundation			
Arizona State University	KMS0019-9-26/SUB	47.076	1,469
Incorporated Research Institutions for Seismology (IRIS)	02-PAS	47.05	1,178,601
	41-PAS/EAR-1063471/70-TA	47.05	3,048,693
ARRA - IRIS	81-TA/34-GSN	47.05	153,111
Associated Universities/Very Large Array	GSSP10-013	47.xxx	18,079
UNAVCO, Inc.	EAR-0732947-04/06/PO 02706	47.xxx	134,372
Texas A & M Research Foundation	K011076	47.xxx	110,882
Joint Oceanographic Institutions	BA-68 PO# T322A68	47.xxx	15,953
University of New Mexico	063015-8746/063013-8746/650166-8746/133433-8746	47.xxx	1,087,852
Regents of New Mexico State University	Q01295	47.xxx	17,624
Total Pass Through Research and Development			9,754,270
Total Research and Development			31,063,272

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, 2012

Federal Grantor-Program Title	Funding Agency Identification Number / Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenses
Department of Homeland Security			
State and Local Homeland Security National Training Program	2010-NA-T0-K016	97.005	12,821,949
State and Local Homeland Security National Training Program	EMW-2011-CA-00094-S01	97.005	10,051,579
Non Major Programs			
Department of Education - Student Financial Assistance Cluster			
Pell Grant Program		84.063	1,673,681
Perkins Loans		84.038	438,725
Supplemental Educational Opportunity Grants (SEOG)		84.007	268,655
College Work Study Program		84.033	231,979
DSLS Subsidized		84.268	1,504,990
DSLU Unsubsidized		84.268	1,678,761
Direct Parent Loan for Undergraduates (DPLUS)		84.268	116,757
Total Student Financial Assistance			5,913,548
Department of Education - Other			
Higher Education - Institutional Aid	PO31M090020/PO31S100145	84.031	1,789,718
TRIO - Upward Bound	PO47M090004/PO47A070017	84.047	476,177
Department of Homeland Security			
Department of Justice	2009-DG-BX-K002	16.580	616,329
Special Operations Group/BORTAC		97.Unknown	18,000
	2008-ST-104-000011	97.104	96,605
	2011-ST-062-000051	97.Unknown	2,184
Environmental Protection Agency	EP-R8-09-09	66.Unknown	18,729
	EP086000193	66.Unknown	22,402
	AI-96691701-0	66.Unknown	5
	FP-91734801	66.Unknown	8,919
Environmental Finance Center Grants	AI-83458601-0	66.203	328,380
Safe Drinking Water Research and Demonstration	EP096000201	66.506	448,573
National Student Design Competition for Sustainability	SU-83431701	66.516	(262)
Other Defense Agencies	HQ0147-08-C-0025	12.Unknown	203,776
	IPA BOLINO 2009/2011/2012	12.Unknown	203,393
	HR0011-10-1-0057/Z832/00	12.910	630,347

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, 2012

Federal Grantor-Program Title	Funding Agency Identification Number / Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenses
Federal Aviation Agency	10-C-CST-NMT-002	20.109	26,761
	CA 10-C-CST-NMT-4 TASK 293	20.109	6,015
Department of the Interior			
Recreation Resource Management	L08AC14962, L10AC16108, L08AC13204	15.225	105,063
Cave & Karst Research	H2360097030-J2360101017/J2360100006	15.Unknown	60,947
	H2360097030-P11AT00331/P11ATW0682	15.Unknown	312,546
Department of State	S-DSASD-09-CA-200/A1/A2/A5	19.Unknown	954,341
	S-INLEC-06-CA-0005	19.Unknown	(4,014)
National Oceanic & Atmospheric Administration	NA11NES4400007	11.440	30,283
National Endowment for the Arts	12-7800-7025	45.024	16,600
U.S. Office of Surface Mining	S11AC20022	15.255	21,804
National Park Service	P2360097099, P12AT00380	15.Unknown	13,047
	J7810090024	15.Unknown	31,094
Department of Treasury - Bureau of Public Debt	TPD-CSB-11-00009	21.Unknown	16,800
Total Other Federal Direct			12,368,110
Federal Pass-Through Funding			
Environmental Protection Agency			
Passed through			
Texas Commission on Environmental Quality	582-11-14416	66.468	114,829
Kansas Dept of Health & Environment	CONTRACT MAY 2009/2-1-12	66.Unknown	9,583
Department of the Interior - USGS			
Water Resources Research Institute	Q01518	15.805	42,438
Department of Labor			
Passed through			
New Mexico Department of Workforce Solutions	09-631-0004-00046 / PO#5110	17.268	84

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, 2012

Federal Grantor-Program Title	Funding Agency Identification Number / Contract ID	Catalog of Federal Domestic Assistance (CFDA) Number	Fiscal Year Expenses
Department of Justice			
Passed through			
Sam Houston State University	SUB#22047A/2010-DN-BX-K223	16.56	39,188
US Department of Housing			
Passed through			
University of Louisville Research Foundation, Inc.	ULRF 12-0036-03/PO 3000147648	14.705	1,823
FEMA/OJP			
Passed through			
State of NM Department of Homeland Security	EMT-2007-PC-0007-001-NMIMT	97.Unknown	1,612
State of NM Department of Homeland Security	2009-EMPG-NMTECH-EARTHQUAKE	97.Unknown	4,745
State of NM Department of Homeland Security	EMW-2011-SS-0051-NM TECH	97.Unknown	1,765
State of NM Department of Homeland Security	EMT-2010-GR-0008-NMTECH	97.082	28,301
University of Kentucky	3048107821-11-267	97.Unknown	48,866
Arizona State University	SC 19111M00193	97.Unknown	26,270
FAA			
Passed through			
New Mexico Spaceport Authority	MOA 4/13/12	20.Unknown	505
State of NM Department of Transportation	CO5249	20.205	17,122
State of NM Department of Transportation	C05435	20.205	46,442
State of NM Department of Transportation	C05422	20.205	12,880
State of NM Department of Transportation	C05357	20.205	33,823
State of NM Department of Transportation	C05309	20.205	76,613
Total Federal Pass-Through Funding			506,889
Total Federal Awards			$ 66,811,800

See notes to schedule of expenditures of federal awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

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 assets.

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, 2012 were $2,593,112. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2012 were $438,725. 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, 2012.

During the fiscal year ended June 30, 2012, the Institute processed $3,300,508 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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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the business-type activities, each discretely presented component unit and the fiduciary fund of the New Mexico Institute of Mining and Technology (the Institute), as of and for the year ended June 30, 2012. 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, 2012 and have issued our report thereon dated November 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Institute is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit we considered the Institute's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did identify one deficiency in internal control over financial reporting that we consider to be a material weakness, as defined above as item 12-01. We also identified certain deficiencies in internal control over financial reporting, described as items 11-01, 11-02, 12-02, and 12-03 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

<u>Compliance and Other Matters</u>

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

The Institute's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Institute's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Regents, management, the Institute, the State Auditor, the New Mexico Higher Education Department, the cognizant audit agency and other federal audit agencies and is not intended to be, and should not be used by anyone other than these specified parties.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 13, 2012

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INDEPENDENT AUDITOR REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

We have audited the compliance of New Mexico Institute of Mining and Technology (the Institute) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Institute's management. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Institute's compliance with those requirements.

In our opinion the Institute complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Institute's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. We identified one deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings a questioned costs as item 12-03. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Institute's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Institute's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Board of Regents, management, the Institute, the State Auditor, the New Mexico Higher Education Department, the cognizant audit agency and other federal audit agencies and is not intended to be, and should not be used by anyone other than these specified parties.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 13, 2012

SUMMARY OF AUDIT FINDINGS

Year Ended June 30, 2012

Prior Year Finding Description		Status
Findings in Accordance with 2.2.2 NMAC (State Audit Rule)		
10-07	Budget Overages	Resolved
Findings – Financial Statement Audit		
11-01	Restricting Administrative Rights to Desktops/Computers	Repeated and Modified
11-02	Development and Testing of a Disaster Recovery Plan	Repeated and Modified
11-03	Per Diem Policy	Resolved

Current Year Finding Description

Findings – Financial Statement Audit

12-01 Capital Asset Control and Accounting
12-02 Accounts Receivable and Accrued Compensated Absences Control and Accounting

Federal Award Findings and Questioned Costs

12-03 Data Collection Form Submission

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued — Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _X_ Yes ____ No
- Significant deficiencies identified? _X_ Yes ____ None reported

Non-compliance material to financial statements noted? ____ Yes _X_ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ Yes _X_ No
- Significant deficiencies identified? _X_ Yes ____ None reported

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

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

Identification of Major Program

CFDA Number	Name of Federal Program or Cluster
R&D Various	Research and Development Cluster
97.005	State and Local Homeland Security National Training Program

Dollar threshold used to distinguish between type A and type B programs — $2,004,354

Auditee qualified as low-risk auditee? ____ Yes _X_ No

B. FINDINGS – FINANCIAL STATEMENT AUDIT

11-01 RESTRICTING ADMINISTRATIVE RIGHTS TO DESKTOPS/COMPUTERS (SIGNIFICANT DEFICIENCY)

CONDITION
Our review of user and desktop management revealed that all users in the Institute have the administrative rights to their desktops/computer by default. This means that they can install any software and download data without restriction.

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
This has been the system set up for a long time.

EFFECT
The current setup increases a risk of getting computers infected by worm, virus or malicious software which could expose sensitive or confidential data to third parties as well as cause significant damage to the IT infrastructure.

RECOMMENDATION
We recommend that administrative rights to desktops/computers be restricted or locked by default. Administrative rights should only be granted to users as their job functions or responsibilities would require. It is also recommended that a form needs to be completed and authorized by the employee's supervisor, which include justification of the privilege.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Point of contact: Director, Information Systems

As of June 30, 2012, 40% of users no longer have administrative rights to their desktop computers. It is anticipated that the remaining 60% will be removed by June 30, 2013 as funding and resources become available. The administrative computer use policy is being changed to include language to the effect that no computers will have administrative rights given them unless there is a specific job need that is approved by the supervisor and the Information Services Department. In addition, network based computing platforms based on VMWare's Virtual Desktop Interface (VDI) are being encouraged to be used at locations that don't require high processing power. These VDI's are template based and allow the

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

11-01 RESTRICTING ADMINISTRATIVE RIGHTS TO DESKTOPS/COMPUTERS (SIGNIFICANT DEFICIENCY) – CONTINUED

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN – CONTINUED

computer image to be refreshed daily. This reduces the virus/Trojan infection profile. Also, since data on a VDI is stored on a mirrored SAN it removes sensitive data from the user's office where it might be stolen. Microsoft Active Directory Group Policy Objects are being created to facilitate remote administration and updating of software on the restricted computers. The PC maintenance group within the Information Services Department will be responsible for the implementation of the policy and will have the responsibility of managing the PCs and VDI's into the future.

11-02 DEVELOPMENT AND TESTING OF A DISASTER RECOVERY PLAN (SIGNIFICANT DEFICIENCY)

CONDITION
The Institute has no formal disaster recovery plan in place. Without a disaster recovery plan to provide guidance, the Institute may be unable to effectively manage the recovery effort. A written disaster recovery plan should be comprehensive in scope covering staff roles and responsibilities, system recovery steps, data restoration procedures, and how to maintain business operations.

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 Institute is still working on updating its disaster recovery plan.

EFFECT
The lack of updated disaster recovery plan and absence of testing may pose questions as to the Institute's ability to respond and recover its critical data and applications in the event of an unforeseen disaster.

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

11-02 DEVELOPMENT AND TESTING OF A DISASTER RECOVERY PLAN (SIGNIFICANT DEFICIENCY) – CONTINUED

RECOMMENDATION
We recommend that the Institute develop a formal disaster recovery plan. It would be prudent for the Institute to test the Plan to ensure the viability of the plan and the timeliness of its execution. System recovery testing and backup tape restoration should be conducted periodically and the tests should be documented and formalized to be included with the Institute's overall business continuity planning.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Point of contact: Director, Information Systems

A prototype disaster recovery plan has been developed and tested. The plan centers on a virtual server infrastructure, virtual clients, a mirrored SAN and processors, and an Oracle standby database server. Over the last year all but two production critical servers have been virtualized and are now on the mirrored SAN. The mirrored SAN was expanded, reengineered to handle the increased latency that will result when we run a synchronous mirror at a remote processing site. The virtual client infrastructure was enhanced to overcome problems of slowness and reliability. All components of the failover infrastructure were tested individually and then in total, both at non-peak and peak production times. The failover test involved shutting down one side of the mirrored SAN, one side of the mirrored processors and one side of the Oracle standby servers. Problems encountered were resolved and retesting took place until failover ran without a problem.

In addition to the development of a machine infrastructure, negotiations for the lease of an offsite failover site are close to completion. Ultimately there will be two failover sites, one local to Socorro, the other far distant. The local failover site lease contract has been negotiated and will be finalized by the end of 2012. The delay has been the result of getting fiber from the NMT campus to the failover site. Fiber will be in place by the end of 2012. An existing fiber lease will be used to get to potential failover sites in either Albuquerque or Santa Fe. This site will be ascertained once the local site becomes active.

The local failover site will host one side of the mirrored infrastructure and will have the facilities to house the critical departments in the event of a disaster.

The final steps in the completion of the failover plan are to resolve the failover plan for the email server, develop and test the procedural documentation for the critical departments and to perform an actual failover of the critical departments.

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

11-02 DEVELOPMENT AND TESTING OF A DISASTER RECOVERY PLAN (SIGNIFICANT DEFICIENCY) – CONTINUED

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN – CONTINUED

Traditional tape backups continue to be performed nightly, with a four week cycle of daily tapes and retention of monthly tapes in perpetuity. This insures recovery should the mirrored infrastructure catastrophically fail or if point-in-time recoveries are required.

It is anticipated that this project will be compete by June 30, 2013 as funding and resources become available.

12-01 CAPITAL ASSET CONTROL AND ACCOUNTING (MATERIAL WEAKNESS)

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

- A vehicle was donated to the Institute in May 2011, but was not recorded until June 2012. Additionally, no donation revenue was recorded for this asset.
- A piece of equipment was purchased in November 2010, but was not recorded until April 2012.
- Two assets disposed of during the year never had depreciation expense applied which caused a loss on disposal.
- Two constructed assets that were completed in May/June 2012 were depreciated for an entire year.
- One constructed asset was added to an existing asset in the tracking system and began being depreciated over 27 years instead of 30 years per the Institute's policy.
- $4,494,627 of costs accumulated for the construction of an infrastructure asset in fiscal year 2011 were not capitalized as construction in progress and were instead expensed, which required a prior period restatement.
- No reversal of accumulated depreciation amounting to $271,084 was recorded for disposed library and other additions in fiscal years 2010 and 2011.
- Certain pieces of equipment were purchased in 2011 but not tagged capitalized until 2012 in the amount of $543,270 and required a prior period restatement.

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

12-01 CAPITAL ASSET CONTROL AND ACCOUNTING (MATERIAL WEAKNESS)

CRITERIA
Per generally accepted accounting principles, 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. When assets are disposed of, any difference between the book value and the amount received if the asset is sold, should be recorded as a gain or loss on the SRECNA and the asset and accumulated depreciation should be removed from the respective balance sheet accounts. New assets should be recorded separately in asset records and be depreciated consistent with the Institute's policy.

CAUSE
Due to turnover as well as limited staffing and training at the Property Office and difficultly in implementation and integration to 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
Beginning capital assets and net assets invested in capital assets was 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 but not tagged, a reconciliation of capitalizable assets recorded in asset accounts and expenditure accounts, and a thorough review of asset schedules, reconciliations, and journal entries prepared.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Point of contact: Director of Property/Controller

The NM Tech Property Office is currently undergoing a complete reorganization. There was a 100% turn over in staff in FY12. The processes and procedures are being evaluated and redesigned to improve efficiency and effectiveness. A new process for receiving capital assets is being reviewed for implementation. It is anticipated that this process will be ongoing through FY13 as resources and funds allow.

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

12-01 CAPITAL ASSET CONTROL AND ACCOUNTING (MATERIAL WEAKNESS) – CONTINUED

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN – CONTINUED

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 FY13.

The Capital Assets Procedures manual will be reviewed and updated. The procedure used for taking depreciation will be clarified. This update will be completed by June 30, 2013.

12-02 ACCOUNTS RECEIVABLE AND ACCRUED COMPENSATED ABSENCES CONTROL AND ACCOUNTING (SIGNIFICANT DEFICIENCY)

CONDITION
The following errors were noted during substantial audit testwork over endowment investments and compensated absences:

- Endowment investments included a receivable for $5,224,173 which was erroneously recorded in prior years as a receivable.
- Accrued compensated absences was overstated in prior years in the amount of $6,373,898.

CRITERIA
Good accounting practices require regular and systematic reconciliations of significant asset and liability accounts.

CAUSE
The endowment investment receivable was an internally generated receivable to track accumulated earnings it had earned over time with investments held with the State Investment Council, but the Institute never took distributions and reinvested the earnings. Management instead funded scholarships, which is the purpose of the endowment investments, by funding it from unrestricted operations and the interfund accounting resulted in an erroneous receivable. Accrued compensated absences liabilities were not reconciled for the past two years which resulted in an over accrual.

B. FINDINGS – FINANCIAL STATEMENT AUDIT – CONTINUED

12-02 ACCOUNTS RECEIVABLE AND ACCRUED COMPENSATED ABSENCES CONTROL AND ACCOUNTING (SIGNIFICANT DEFICIENCY) – CONTINUED

EFFECT
The Institute's non-current assets and non-current liabilities were overstated resulting in beginning net assets being understated by $1,149,725.

RECOMMENDATION
The Institute should review the procedures related to reconciling minor but significant account groups to ensure that they are effective.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Point of contact: VP for Administration and Finance/Director of Finance

The reclassification of the current year compensated absences led to the incorrect amount of total compensated absence liability being reported on prior year financial statements. This reclassification procedure has been reviewed and corrected.

A onetime adjustment was made to correct the endowment receivable. Management will correct the accounting practice to ensure this does not reoccur. Accounts will be reconciled on a quarterly basis to assure the accuracy of the account balances.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

12-03 DATA COLLECTION FORM SUBMISSION (SIGNIFICANT DEFICIENCY)

Funding Agency: All Funding Agencies
Title: All Federal Award Programs
CFDA Number: All CFDA Numbers

CONDITION
The fiscal year 2011 data collection form was submitted to the Federal Audit Clearinghouse (FAC) on February 1, 2011, after the required deadline which was 30 days after the date the financial statements were issued or January 25, 2011.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – CONTINUED

12-03 DATA COLLECTION FORM SUBMISSION (SIGNIFICANT DEFICIENCY) – CONTINUED

CRITERIA
OMB Circular A-133 section 320(a) requires the data collection form to be submitted within the earlier of 30 days after receipt of the auditor's report(s) or nine months after the end of the audit period.

QUESTIONED COSTS
None.

CAUSE
Unknown.

EFFECT
The Institute did not meet the filing deadline due to lack of compliance with filing requirements.

RECOMMENDATION
We recommend that the Institute monitor the submitted process to ensure that the data collection form is prepared and submitted timely.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION

Point of contact: Director of Sponsored Projects Administration

The basis for the data collection form is the Schedule of Expenditures of Federal Awards (SEFA). A review of the FY11 SEFA indicates that the report submitted did include the mandatory elements outlined in OMB A-133 Subpart 320(b)(2), however, the detail wasn't adequately entered into the data collection form.

NMIMT will continue to verify that all mandatory elements are included in the SEFA in order that the data collection form be completed as accurately as possible. The verification process was implemented immediately and should be reflected in the submission of the FY12 data collection form.

EXIT CONFERENCE

June 30, 2012

An exit conference was held on November 12, 2012, 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
Melissa Tull	Controller
Camille Gurule	Assistant Controller

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	Audit Senior Manager
Sarah Brack, CPA	Audit Senior

The financial statements were prepared with the assistance of Atkinson & Co., Ltd.

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