

**STATE OF NEW MEXICO
WESTERN NEW MEXICO
UNIVERSITY**

Basic Financial Statements and Schedules
For the Fiscal Year Ended June 30, 2018
(With Independent Auditors' Reports Thereon)

WESTERN NEW MEXICO UNIVERSITY

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WESTERN NEW MEXICO UNIVERSITY

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OFFICIAL ROSTER
JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

Wayne Johnson
New Mexico Office of the State Auditor
Board of Regents
State of New Mexico Western New Mexico University
Silver City, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the State of New Mexico Western New Mexico University (the "University"), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the University's basic financial statements as listed in the table of contents. We also have audited the budget comparisons presented as supplemental information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2018, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the aggregate discretely presented component unit of the University, as of June 30, 2018, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons of the University as of June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of University's Proportionate Share of the Net Pension Liability, and Schedule of Contributions Educational Retirement Board (ERB) Pension Plan, Schedule of University's Proportionate Share of the Net OPEB Liability, and Schedule of Contributions OPEB (RHCA) Plan on pages 5 through 10, 59, 60, 62 and 63 respectively, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the University are and do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2018, the changes in its financial position, or, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Adoption of New Accounting Pronouncement

As discussed in Note 13 to the financial statements, effective for fiscal years beginning after June 15, 2017, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements and the budgetary comparisons. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other schedules required by Section 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the other schedules required by Section 2.2.2.NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the other schedules required by Section 2.2.2.NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2018 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



October 24, 2018

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Overview of the Financial Statements and Financial Analysis

Western New Mexico University is proud to present its financial statements for fiscal year 2018. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Please refer to the separate report titled "Western New Mexico Foundation Financial Statements" for these same three financial statements for the component unit.

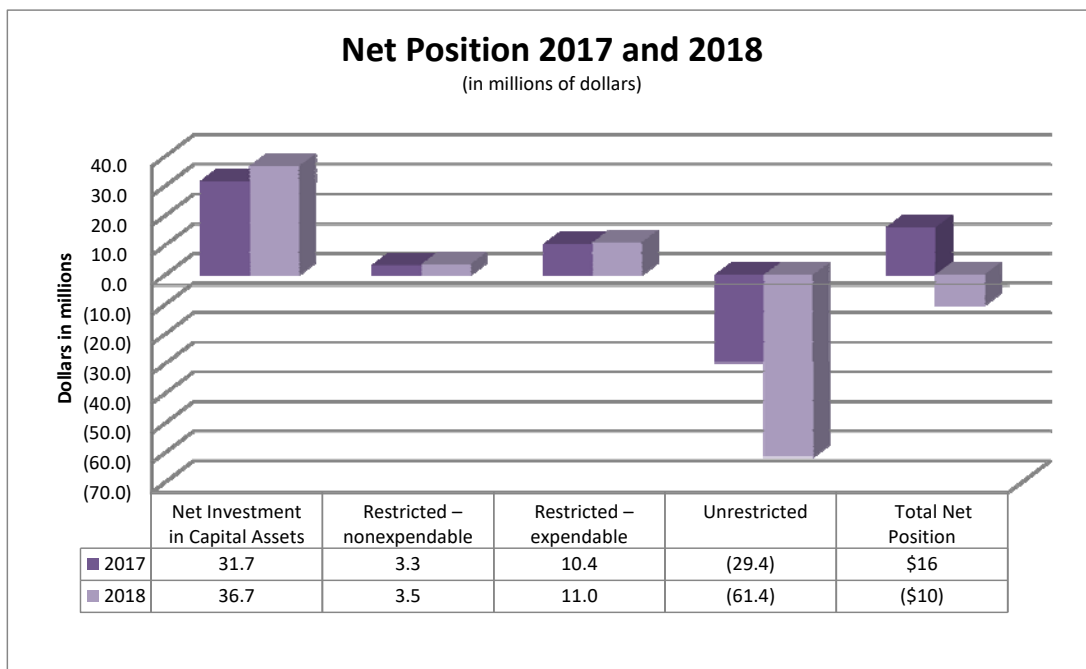
This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the University as of the end of the fiscal year. The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present end-of-year data concerning Assets (current and non-current), Liabilities (current and non-current), and Net Position (Assets minus Liabilities).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the institution. The reader is also able to determine how much the institution owes vendors, investors and lending institutions. Finally, the Statement of Net Position provides a picture of the net position (assets minus liabilities) and their availability for expenditure by the institution.

Net position is divided into three major categories. The first category, invested in capital assets, is net of debt. The next asset category is restricted net position, which is divided into two categories, nonexpendable and expendable. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Nonexpendable restricted net position is restricted for expenditures that fall within these three categories; scholarships and loans, capital projects, and debt service. The final category is unrestricted net position. Unrestricted net position is available to the institution for any lawful purpose of the institution.



WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2018

Statement of Net Position continued

The total net position of the University decreased \$26 million, as the University's proportionate share of the net pension liability increased by \$25.8 million. As changes were made in the actuarial factors for the New Mexico Educational Retirement Board's (NMERB) plan for solvency, the total net pension liability increased and this trickled down to all state agencies, which are a part of the NMERB. In addition to the net pension liability increase, the implementation of GASB 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) also contributed significantly to the unrestricted net position deficit. This implementation required the recognition of the institution's proportionate share of the OPEB liability of \$19.9 million. The changes in deferred outflows, noncurrent liabilities, and deferred inflows are also a result of the implementation of GASB 75. When accounting for only the current year activity, the unrestricted net position increased \$1.7M, acknowledging sound fiscal health of the institution. This allowed for an increase in investments, as can be seen in the variance of current assets. An increase in noncurrent assets is attributable to an increase in construction projects on campus and is also notable in the increased net position for net investment in capital. This activity will be discussed further in the capital asset and debt administration section of the management discussion and analysis.

The change in net position follows the institutional philosophy to use available resources to acquire and improve all areas of the institution to better serve the instruction and public service mission of the University.

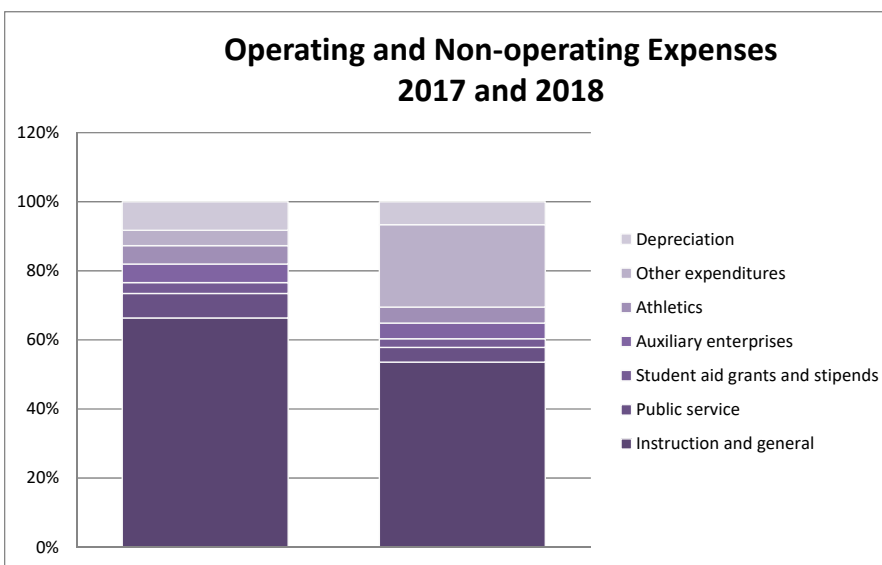
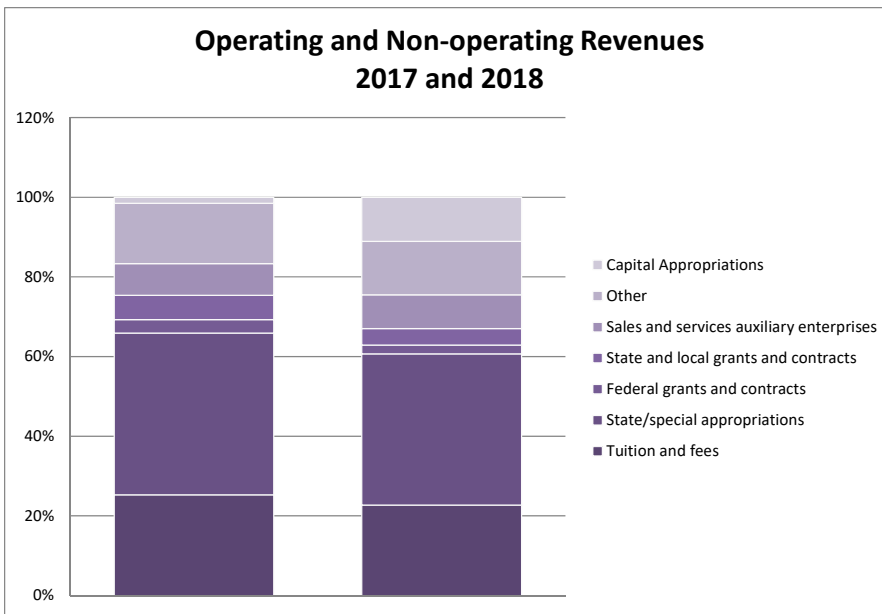
	June 30		Variance
	2017	2018	
Assets			
Current assets	\$22,842,483	\$25,117,461	\$2,274,978
Noncurrent assets	53,396,568	57,322,151	3,925,583
Deferred Outflows	7,475,157	24,340,224	16,865,067
Total Assets and Deferred Outflows	\$83,714,208	\$106,779,836	\$23,065,628
Liabilities			
Current liabilities	4,636,270	4,760,941	124,671
Noncurrent liabilities	61,332,767	105,642,731	44,309,964
Deferred Inflows	1,666,129	6,214,950	4,548,821
Total Liabilities and Deferred Inflows	\$67,635,166	\$116,618,622	\$48,983,456
Net Position			
Net Investment in Capital Assets	31,713,681	36,709,110	4,995,429
Restricted – nonexpendable	3,313,274	3,519,722	206,448
Restricted – expendable	10,438,766	11,019,582	580,816
Unrestricted	(29,386,679)	(61,087,200)	(31,700,521)
Total Net Position	\$16,079,042	(\$9,838,786)	(\$25,917,828)

Statement of Revenues, Expenses and Changes in Net Position

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues earned by the institution, both operating and non-operating, and the expenses incurred by the institution, operating and non-operating, and any other revenue, expenses, gains and losses earned or incurred by the institution.

Generally speaking, operating revenues are earned for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.



Statement of Revenues, Expenses and Changes in Net Position continued

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The Statement of Revenues, Expenses and Changes in Net Position reflect a decrease in the change of net position at the end of the year of \$4.5 million. Overall, operating revenues were down by \$1.8 million and expenses increased \$7.5 million. Decreased revenue is attributable to a slight decline in student enrollment and a reduction of federal and state grants awarded to the institution. The largest of these grants was for the early childhood program La Familia. These decreases were slightly offset by an increase in revenue for housing and dining services. A decrease in expense for instruction and general and public service is attributable to salary and benefit savings, which is recognized when positions remain vacant for some time after resignations or retirements. The other significant variance is seen in other expenditures, caused by pension expense of \$9.3 million and an increase in plant expenses of just under \$1 million.

	June 30		
	2017	2018	Variance
Operating Revenues			
Tuition and fees	\$11,909,273	\$11,381,725	(\$527,548)
Federal grants and contracts	1,570,594	1,131,954	(438,640)
State and local grants and contracts	2,875,984	2,055,195	(820,789)
Sales and services auxiliary enterprises	3,764,697	4,267,799	503,102
Other	2,058,386	1,515,568	(542,818)
<i>Total Operating Revenue</i>	22,178,934	20,352,241	(1,826,693)
Expenses			
Instruction and general	29,498,467	27,819,163	(1,679,304)
Public service	3,135,252	2,214,939	(920,313)
Student aid grants and stipends	1,410,020	1,316,568	(93,452)
Auxiliary enterprises	2,372,558	2,350,567	(21,991)
Athletics	2,367,025	2,421,686	54,661
Other expenditures	1,981,609	12,395,427	10,413,818
Depreciation	3,665,646	3,432,127	(233,519)
<i>Total Expenses</i>	44,430,577	51,950,477	7,519,900
<i>Operating Loss</i>	(22,251,643)	(31,598,236)	(9,346,593)
Non-operating Revenues (Expenses)			
State appropriations/special appropriations and other non-operating revenue	24,236,054	24,193,351	(42,703)
Gain/(Loss) before other revenues and expenses	1,984,411	(7,404,885)	(9,389,296)
Other revenues/(expenses)	698,386	5,549,075	4,850,689
<i>Net Increase/(Decrease) in Net Position</i>	\$2,682,797	(\$1,855,810)	(\$4,538,607)

Statement of Cash Flows

The final statement presented by Western New Mexico University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year.

The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Statement of Cash Flows continued

capital financing purposes. The third section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fourth section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

	June 30		Variance
	2017	2018	
Net cash used by operating activities	(\$18,647,730)	(\$18,977,116)	(\$329,386)
Net cash provided by noncapital financing activities	24,189,732	24,186,642	(3,090)
Net cash provided/used by investing activities	(252,239)	(3,338,972)	(3,086,733)
Net cash used by capital and related financing	(2,387,051)	(3,440,110)	(1,053,059)
Net increase (decrease) in cash and cash equivalents	2,902,712	(1,569,556)	(4,472,268)
Cash at beginning of year	8,173,779	11,076,491	2,902,712
Cash at end of year	\$11,076,491	\$9,506,935	(\$1,569,556)

Capital Asset and Debt Administration

As seen in earlier sections of this discussion and analysis, the institution recognized an increase in net position of nearly \$5 million in net investment in capital assets. Construction of several projects contributed to the increase in value of buildings, the increase in value of land improvements, and the increase of construction in progress. While some of these projects utilized general obligation bonds or severance tax bonds allocated by the New Mexico legislature, some projects utilized the institution's restricted expendable fund balance. Larger projects utilizing state bond funding include Harlan Hall Phase I, Harlan Hall Phase II, Fleming Hall, roof repair, paving, and underground utilities. Larger projects utilizing institutional funds include repair of tennis courts, renovation of Ritch Hall, and street improvements on College Ave. For more detailed information, please see the notes to the financial statements.

As of June 30, 2018, the institution has \$17 million in outstanding bonds, a decrease of \$1.3 million resulting from scheduled debt service payments made during the fiscal year. Payments for Bond Series 2013 will reduce in fiscal year 2020 by approximately \$300 thousand, as the portion of debt for the Student Memorial Building will be paid off in fiscal year 2019. The University will also pay off Bond Series 2014 debt in fiscal year 2021. This annual payment is approximately \$469 thousand. The remaining balance of Bond Series 2012 is scheduled to be paid off in fiscal year 2038. The institution also has an outstanding capital lease in the amount of \$136 thousand. This capital lease for golf carts and land improvement equipment will be paid off in fiscal year 2021.

Budget/Actual Variances

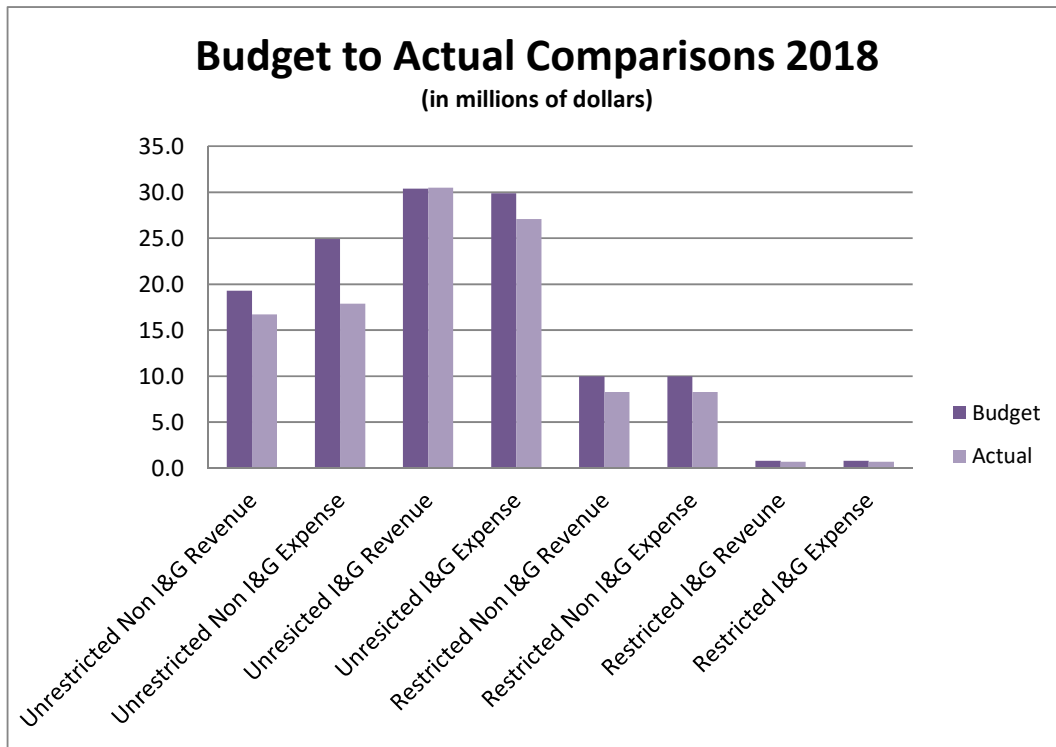
The actual unrestricted I&G fund balance shows a favorable variance of \$2.9 million from the final budget. This

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

favorable variance was owing to a decrease in expenses, most recognized in salary and benefit savings and supplies and expense. Salary and benefits are fully budgeted; therefore, any lag in hiring creates a budget savings. Also, some positions may be left vacant throughout the remainder of the year. Variances in

Budget/Actual Variances continued

unrestricted non-I&G revenue and expense result mostly from budgeting capital outlay revenue and expense as if all projects were to be completed during the fiscal year. Restricted revenue and expenditure budgets were revised to reflect grants obtained by the institution after the start of the fiscal year. Actual performance in restricted funds was different from the final budget caused by multi-year grants being awarded yet budgeted for the current year. Remaining revenue and expenditures will occur in the subsequent year based on the multi-year awards.



Comparative Analysis

Comparative financial information was presented in previous sections of this document.

Economic Outlook:

The current economic outlook of the nation and local economic conditions will have a significant impact regarding future enrollment. The fall semester of 2017 saw a drop in enrollment, 332 total headcount and 2,413 total student credit hours. The university focused resources on recruitment and retention efforts throughout the fiscal year and recognized an increase in enrollment for the fall semester of 2018. We continue to focus our efforts on future enrollment in the areas that will meet the current workforce demands.

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The State of New Mexico has experienced an upswing in revenues attributed to the oil and gas industry. While this may have positive results for the university during upcoming legislative sessions in regard to state appropriations, the university will continue to strive toward increased enrollment to become less dependent on state funding. Although the institution favors well in the funding formula based on positive student outcomes, to include completion of degrees and certifications, this will only result in allocation of funds if they are available for Higher Education within the State's budget.

Component Unit Financial Statements

Western New Mexico Foundation, Inc. (Foundation) is a component unit of the University. The separate financial statements of the Foundation can be obtained from Jodi Edens Crocker, Executive Director at the Western New Mexico Foundation, Inc., P.O. Box 1158, Silver City, New Mexico 88062.

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF NET POSITION

JUNE 30, 2018

	Primary Government	Component Unit
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,922,989	\$ 771,819
Cash and cash equivalents-restricted	2,690,049	-
Cash endowments	2,128,390	-
Cash held by others-restricted	765,507	-
Cash restricted for other organizations	-	266,099
Accounts receivable, net of \$5,478 and \$0 allowance	8,267	
Federal Contract and grant receivables, net of \$0 allowance	421,725	-
State Contract and grant receivables, net of \$0 allowance	227,276	-
Private Contract and grant receivables, net of \$0 allowance	57,739	-
Student receivables, net of \$3,356,737 allowance	170,073	-
Capital grant receivables	1,136,344	-
Due from WNMU Foundation	179,402	-
Short-term Investments	12,968,698	-
Inventories	12,298	-
Prepaid assets	428,704	-
<i>Total current assets</i>	25,117,461	1,037,918
Noncurrent Assets		
Accounts receivable, net of \$913,567 allowance	167,945	-
Endowment investment	3,276,425	8,407,625
Beneficial interest in perpetual trust	-	826,664
Capital assets, net of accumulated depreciation	53,877,781	9,469
<i>Total noncurrent assets</i>	57,322,151	9,243,758
Deferred Outflows		
Deferred Outflows - Pension	23,991,174	-
Deferred Outflows - OPEB	349,050	-
Total assets and deferred outflows	\$ 106,779,836	\$ 10,281,676
LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities		
Payables and accrued liabilities	\$ 2,492,041	3,106.00
Accrued compensated absences	92,123	-
Accrued incentive retirement payable	138,890	-
Unearned revenue	564,366	-
Bonds payable - current portion	1,275,107	-
Notes Payable - current portion capital lease	38,265	-
Due to Western New Mexico University	-	179,402
Deposits held for others	160,149	266,099
<i>Total current liabilities</i>	4,760,941	448,607
Noncurrent Liabilities		
Accrued compensated absences	449,779	-
Accrued incentive retirement payable	142,945	-
Net Pension Liability	69,255,800	-
Net OPEB Liability	19,938,908	-
Bonds payable - long-term portion	15,757,023	-
Notes Payable - long term portion capital lease	98,276	-
<i>Total noncurrent liabilities</i>	105,642,731	-
Deferred Inflows		
Deferred Inflows - Pension	1,676,901	-
Deferred Inflows - OPEB	4,538,049	-
Total liabilities and deferred inflows	116,618,622	448,607

The Notes to Financial Statements are an integral part of these statements.

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF NET POSITION

JUNE 30, 2018

	Primary Government	Component Unit
Net Position		
Net investment in capital assets	36,709,110	9,469
Restricted for		
Nonexpendable		
Restricted (endowment fund balances)	3,519,722	8,722,199
Expendable		
Scholarships, research, instruction and other loans	328,905	182,299
Capital projects	7,501,581	-
Debt service	3,189,096	-
Unrestricted	(61,087,200)	919,102
<i>Total net position</i>	(9,838,786)	9,833,069
<i>Total liabilities and net position</i>	\$ 106,779,836	\$ 10,281,676

The Notes to Financial Statements are an integral part of these statements.

WESTERN NEW MEXICO UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018

	Primary Government	Component Unit
Operating Revenues		
Tuition and fees	\$ 17,590,905	\$ -
Tuition discounts and allowances	(6,209,180)	-
	11,381,725	-
Federal grants and contracts	1,131,954	-
State and local grants and contracts	1,837,642	-
Private grants and contracts	217,553	-
State land and permanent fund and investment income	157,225	-
Sales and services of auxiliary enterprises	4,267,799	-
Contributions	-	197,475
Other	1,358,343	31,121
<i>Total operating revenues</i>	20,352,241	228,596
Operating Expenses		
Instruction and general		
Instruction	14,589,725	-
Academic support	1,766,341	-
Student services	2,340,485	-
Institutional support	6,379,372	-
Operations and maintenance support	2,743,240	-
	27,819,163	-
Public service	2,214,939	-
Student aid grants and stipends	7,525,748	-
Tuition discounts and allowances	(6,209,180)	-
Auxiliary enterprises	2,350,567	-
Athletics	2,421,686	-
Other expenditures	12,395,427	-
Awards and grants to individuals	-	99,544
Operating expenses	-	325,897
Depreciation	3,432,127	-
<i>Total expenses</i>	51,950,477	425,441
<i>Operating (loss) income</i>	(31,598,236)	(196,845)

The Notes to Financial Statements are an integral part of these statements.

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND

CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2018

	Primary Government	Component Unit
Non operating revenues (expenses)		
Federal Pell Grants	5,186,042	-
State appropriations	19,000,600	-
Contribution to permanent endowment	-	228,911.00
Change in value of perpetual trust	-	50,274.00
Interest and investment income	6,709	724,303
<i>Net nonoperating revenues</i>	24,193,351	1,003,488
<i>Income before other revenues, expenses, gains and losses</i>	(7,404,885)	806,643
Other		
Capital appropriations	5,549,761	-
Endowment Revenue	-	-
Gain/(Loss) on asset disposition	(686)	-
<i>Net other revenues/expenses/gains and losses</i>	5,549,075	-
<i>Decrease in net position</i>	(1,855,810)	806,643
Net position		
Net position - beginning of year, as previously stated	16,079,042	9,026,426
Restatement - OPEB liability	(24,062,018)	
Net position - beginning of year, as restated	(7,982,976)	9,026,426
<i>Net position, end of year</i>	\$ (9,838,786)	\$ 9,833,069

The Notes to Financial Statements are an integral part of these statements.

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF CASH FLOWS

JUNE 30, 2018

	Primary Government	Component Unit
Cash Flows From Operating Activities		
Adjustment to reconcile increase in net position to net cash used by operating activities		
Tuition and fees	\$ 17,788,227	\$ -
Grants and contracts	3,189,951	-
Sales and services of auxiliary enterprises	4,275,759	-
Other operating receipts	1,530,507	189,919
Payments to employees for salaries and benefits	(17,420,019)	-
Payments to suppliers	(11,936,649)	(257,681)
Loans and grants issued to students	(16,404,892)	(99,731)
<i>Net cash (used) provided by operating activities</i>	(18,977,116)	(167,493)
Cash Flows From Noncapital Financing Activities		
Federal Pell grants	5,186,042	-
Donation and pledges		228,911
State appropriations	19,000,600	-
<i>Net cash (used) provided by noncapital financing activities</i>	24,186,642	228,911
Cash Flows From Investing Activities		
Purchase of investments	(5,751,003)	(8,031,276)
Investment income	6,709	131,438
Sale of investments	2,405,322	5,628,619
Investment and management fees	-	(70,283)
<i>Net cash (used) provided by investing activities</i>	(3,338,972)	(2,341,502)
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(7,144,133)	-
Capital appropriations received	4,952,339	-
Repayments of capital debt	(1,305,455)	-
Notes Payable - Capital Lease	57,139	-
<i>Net cash (used) provided by capital and related financing activities</i>	(3,440,110)	-
<i>Net (decrease) increase in cash and cash equivalents</i>	(1,569,556)	(2,280,084)
Cash and cash equivalents, beginning of year	11,076,491	3,051,903
<i>Cash and cash equivalents, end of year</i>	\$ 9,506,935	\$ 771,819

The Notes to Financial Statements are an integral part of these statements.

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

	Primary Government	Component Unit
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED)/PROVIDED BY OPERATING ACTIVITIES		
Operating (loss) income	\$ (31,598,236)	\$ (196,845)
Adjustments to reconcile operating (loss) income to net cash (used)/provided by operating activities		
Depreciation expense	3,432,127	314
Bond premium amortization expense	(35,107)	-
Net pension expense	9,327,275	-
Net OPEB expense	65,889	-
(Gain)/Loss on asset disposition	(686)	-
Unrealized (gain)/loss on investments	14,939	-
Endowment	-	-
Changes in assets and liabilities		
Receivables	115,028	5,000
Inventories	10,751	-
Other assets	(255,725)	-
Accounts payable and accrued expenses	96,970	24,038
Deposits held for others	7,960	-
Unearned revenue	85,096	-
Accrued incentive retirement payable	(14,012)	-
Compensated absences	(229,385)	-
<i>Net cash (used) provided by operating activities</i>	<i>\$ (18,977,116)</i>	<i>\$ (167,493)</i>

The Notes to Financial Statements are an integral part of these statements.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background. In March 1893, the first meeting of the Board of Regents was held and plans were made for the construction of the Normal School to open in the fall of 1894. The first classes were held in September 1894 in the First Presbyterian Church with two faculty and forty students while the foundation was laid for "Old Main," the first campus building.

The first administrative head of the Normal School was Professor George Selby, who served only the first year. Charles M. Light became the President in 1895 and continued through the 1913-14 academic year. Miss Isabelle Eckles became the first graduate and also the leader of many graduates to excel in business, education, science, mining, ranching and government.

In the 1900's, the Normal School continued to expand with the addition of new buildings including Ritch Hall in 1906, and Fleming Hall, now the University Museum, in 1917. Telephones were installed on campus this same year. In 1923, the name of the School became New Mexico State Teacher College and five years later Light Hall was completed. In 1928, the men's dorm at Bowden Hall was finished and plans were begun to create a new high school at the east edge of the campus. In 1949, enrollment increased due to returning veterans after World War II and the name was changed to New Mexico Western College. The institution continued to experience considerable growth from 1952-1962. In the winter of 1963, the name of the institution was changed again to Western New Mexico University (the University) in keeping with the further broadening of the scope and mission of the institution.

The mission of Western New Mexico University is to engage and empower learners in a multicultural, inclusive, creative, and caring community of teaching, scholarship/research, and service. Exemplary teaching, quality programs, enhanced regional service and cultural diversity are components of this mission. The University offers a range of certificate, associate, undergraduate and graduate programs and has been accredited by North Central Association of Colleges and Schools since 1942.

In the fall of 2017, Western New Mexico University's student enrollment was 3,088 (including its off-campus educational centers) taught by 251 faculty members. The campus consists of 53 buildings on 230 acres. Nearly half (50%) of the University's student population is from rural southwestern New Mexico. Its major service area is the neighboring four-county region comprised of Catron, Grant, Hidalgo and Luna counties. Additionally, some of the University's students come from other countries including Australia, Belize, Bolivia, Brazil, Canada, Czech Republic, Egypt, England, France, Germany, Guatemala, Israel, Italy, Kazakhstan, New Zealand, Mexico, Nigeria, Spain, and United Kingdom. Students range in age from late teens to senior citizens. The University's students are 66% female, 34% male and have been recognized as a strength for the bilingual and multi-cultural population of the region. The four largest ethnic groups are Hispanic (41%), White (30%), Native Hawaiian (7%), and African American (7%).

Western New Mexico University continues to build upon its reputation for quality education in a stunning southwestern mountain environment along the Continental Divide.

Per Chapter 6, Article 17, NMSA 1978, the University is defined as a state educational institution and is included as part of the primary government of the State of New Mexico.

Basis of Accounting. For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented 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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

been eliminated. Grants are recognized when all eligibility requirements are met. The University applies all applicable Government Accounting Standards Board (GASB) pronouncements. The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB.

Reporting Entity. The University implemented Governmental Accounting Standards Board Statement No 61 The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No.14 and No.34, which modifies certain requirements for inclusion of component units in the financial reporting entity. In evaluating how to define the University for financial reporting purposes, management has evaluated the University'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 includes, but is not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of the criterion involves considering whether the activity benefits the University. 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 University is able to exercise oversight responsibilities. Based on the application of these criteria, the following is a brief review of each potential component unit addressed in defining the University's reporting entity.

In the financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the University. The decision to include a potential component unit in the University's reporting entity is based upon several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Western New Mexico Foundation (Foundation) is presented as a discretely presented component unit in these financial statements due to:

1. The economic resources received by the Foundation are entirely for the direct benefit of the University's constituents.
2. The University has an ongoing economic interest in the net assets of the Foundation.

The Foundation was organized as a not-for-profit New Mexico corporation under 501(c)(3) of the Internal Revenue Code. The Foundation receives support from contributions, earnings on investments and rental of real estate. The agreement between the University and the Foundation stipulates that the Foundation 1) creates and encourages opportunities for individuals and organizations to invest in the support of the University; 2) manages the gifts, endowments, and income-producing properties; 3) assures donors that contributions will be utilized for the specified purpose; and 4) provides a medium for alumni and community leaders to participate. In exchange, the University covers the costs of salary and benefits as agreed upon for certain Foundation employees, provides office space for the Foundation office with access to campus facilities, and provides payroll and purchasing support. The Foundation, however, is responsible to reimburse the University for other operating expenses as well as scholarship funding.

The separate financial statements of the Foundation can be obtained from Jodi Edens Crocker, Executive Director at the Western New Mexico Foundation, Inc., P.O. Box 1158, Silver City, New Mexico 88062.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The financial reporting for the University includes the Watts Foundation, a separate entity, as a blended component unit. It is separate from the WNMU Foundation and is not significant in relation to the University's financial statements.

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budget. The University follows the requirements established by the Higher Education Department (HED) and the New Mexico Department of Finance and Administration-State Budget Division (DFA) in formulating its budgets and in exercising budgetary control within the limits of available income. Budget requests are submitted to and approved by the Board of Regents, then forwarded to HED and DFA. These state agencies develop consolidated funding recommendations for all higher education institutions which are considered for appropriation during the annual legislative sessions. The legal level of budgetary control is at the functional level, in accordance with NMAC 5.3.4.10. If total expenditures are expected to exceed the approved budget, the University is required to submit a Board of Regents approved budget adjustment request (BAR) to HED for approval which is subsequently forwarded to DFA for final approval.

Procedures for Approval of Operating Budgets

1. The University submits an electronic copy approved by the University's regents to the HED's office by May 1st.
2. HED acts on approval of the budgets.
3. 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.

In accordance with House Bill 2, in general, 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 University in subsequent years.

Budgetary Control. Total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary control 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 HED and then by the Budget Division of the Department of Finance and Administration. Budgets are not legally binding for the component unit.

Cash and Cash Equivalents. For purposes of the statement of cash flows, cash and cash equivalents include demand, savings, and money market accounts with an original maturity of 3 months or less.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investments. Certain investments such as debt and equity securities and pooled investment funds are recorded at market value in accordance with the Governmental Accounting Standards Board Statement (GASB) No. 31, *Accounting and Financial Reporting for Certain Investments and for External*

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

Investments are made in accordance with the Constitution of the State of New Mexico.

Income Taxes. The University, 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 University are deductible by donors as provided under Section 170 of the Internal Revenue Code, and consistent with the provisions under Section 501(c)(3) of the Internal Revenue Code.

Accounts Receivable. The University 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 University's grants and contracts. Provision for uncollectible student accounts is recorded to maintain an adequate allowance for anticipated losses. The majority of the net balance of accounts receivable is expected to be collected within one year of the date of the financial statements; however, the Perkins receivable is considered long-term.

Unearned Revenue. Revenue for each academic session is reported within the fiscal year during which the session's refund period ends. The revenues for the summer session are shown as income in the accompanying financial statements if the session's refund period ends prior to June 30. If summer courses' refund period is beyond June 30, then the revenue is reported in the next fiscal year. After the refund period has expired, tuition is considered as earned and recognized as revenue. Unearned revenues also include amounts received from grant and contract sponsors that have not been earned.

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

Capital Assets. Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The Foundation had previously capitalized certain assets considered to be historical treasures and works of art; however, they were not depreciable as a result of this classification. Those items were recorded at fair market value at date of donation or acquisition and consist of pottery, paintings, and costumes.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 25 to 50 years for buildings, 20-25 years for infrastructure and land improvements, 10 years for library books, and 5 to 12 years for equipment.

Capital Assets-Impairment. Capital assets are reviewed and evaluated to assess impairment. Impairment occurs when the sum of the expected cash flows from the asset is less than the book value of the asset. If this condition is met, the book value will be adjusted to reflect the impairment and it will be recorded as a loss. The University does not have significant amounts of impaired assets as of June 30, 2018.

Compensated Absences. The University accounts for the accumulated vacation leave on the accrual basis in accordance with GASB 16. All permanent, full-time employees accumulate vacation time as listed below. Part-time employees are prorated proportionately. Employees may accumulate up to a maximum of 168 hours (4 weeks) vacation time during their period of employment; however, any unused vacation balance will be paid to the employee up to a maximum of 160 hours upon termination of employment. The vacation accrual for the President was negotiated at 450 hours. Accumulated unpaid vacation is accrued when incurred in the current unrestricted fund. At June 30, 2018, the accrued vacation pay amounted to \$541,903. This amount does not exceed a normal year's accumulation.

Years of Service	Bi-Weekly	Semi-Monthly	Monthly
0 up to 5 years	3.7 hours per pay	4 hours per pay	8 hours per pay
5 up to 10 years	4.62 hours per pay	5 hours per pay	10 hours per pay
10 or more years	5.54 hours per pay	6 hours per pay	12 hours per pay

Sick Leave. According to University policy, conversion of sick leave accrual to cash is not permitted, and no amount for sick pay has been recorded in the current unrestricted fund.

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

Net Position. The University's net position is classified as follows:

Net Investment in Capital Assets. This represents the University'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.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Restricted. The portion of net position with the following constraints:

- a) Externally imposed by creditors, grantors, contributions, or laws or regulations of other governments.
- b) Imposed by law through constitutional provisions or enabling legislation.

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

Restricted - Expendable. The expendable restricted portion of net position includes resources that the University is legally or contractually obligated to spend in accordance with imposed restrictions by third parties.

Unrestricted. The unrestricted portion of net position represents 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 University, 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 University's policy is to first apply the expense towards restricted, and then toward unrestricted resources.

Classification of Revenues. The University has classified its revenues as either operating or non operating revenues according to the following criteria:

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

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, other student charges and expenses, the University has recorded a scholarship allowance.

Non-operating Revenues. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9 *Reporting Cash Flows of Proprietary and*

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, such as federal Pell grants, state appropriations, and investment income.

NOTE 2. CASH AND INVESTMENTS

Cash. The University's deposits are in demand and time deposit accounts at local financial institutions except for cash held at Bank of New York and Bank of Albuquerque by New Mexico Finance Authority for the benefit of the University. Section 6-10-17, New Mexico Statutes, requires that depositories of the University provide collateral equal to one-half of the amount of uninsured public monies on deposit with the exception of overnight repurchase agreements which require 102 percent collateralization. All collateral is held in third-party safekeeping in the name of the University. The majority of the total deposits were invested in interest bearing accounts at June 30, 2018.

Investments. The Vice President for Business Affairs is authorized to purchase and sell investments of the University. Investments are required to be made in a prudent manner so as to ensure an acceptable yield with a minimum risk which requires investment in securities or other financial instruments which are not contrary to 6-8-10 NMSA 1978, existing bond covenants or other externally placed restrictions. The investments not related to the Foundation consisted primarily of various government revenue bonds, federal securities and FDIC insured certificates of deposit at June 30, 2018.

Investments of \$16,245,123 for the University and \$8,407,626 for the Foundation at June 30, 2018 represent longer term investments in debt and equity securities, including, but not limited to, pooled or common trust funds holding such types of securities, subject to any specific limitation set forth in the applicable gift instrument.

The University's endowment securities had a market decrease during the year of \$24,583 which is included in the nonexpendable restricted portion of the net position. If and when the securities have a market appreciation, none of the market appreciation will be available for authorization of expenditure by the governing board.

The University's other endowment investments are recorded as noncurrent assets in the Statement of Net Position. Only the corpus has been invested with earnings available for expenditures. Scholarships from the endowment were awarded in the amount of \$63,458 during 2018. The remaining earnings remain in the nonexpendable restricted portion of the net position.

The Foundation endowment securities also had a market decrease of \$147,964 at year end to reflect market value. If and when the securities have a market appreciation, the amount available for expenditure must be authorized by the governing board. Effective July 1, 2009, in accordance with House Bill 454, revised guidelines for the Uniform Prudent Management of Institutional Funds Act were provided for the investment and expenditure of endowment funds which requires adherence by the Foundation. The governing board authorized a spending limit of 2.5% of available portfolio funds for scholarship awards and 2% to cover administrative costs during fiscal year 2011; this has remained in effect through June 30, 2018.

The bond ratings for the government-backed revenue bonds range from A1 to AAA.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2. CASH AND INVESTMENTS continued

At June 30, 2018, the investments of the University consisted of the following:

	June 30, 2018	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Inputs Level 2	Significant Other Inputs Level 3
Primary Institution				
Federal securities	\$1,731,214	\$1,731,214	\$0	\$0
NM municipal bond	147,174	147,174	-	-
Certificates of deposit	12,469,073	12,469,073	-	-
Equity securities	1,897,662	1,897,662	-	-
Total Investments	\$16,245,123	\$16,245,123	\$0	\$0

At June 30, 2018, the investments of the University's component unit consisted of the following:

	June 30, 2018	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Inputs Level 2	Significant Other Inputs Level 3
Component Unit				
Equity securities	\$5,400,677	\$5,400,677	\$0	\$0
Fixed Income	653,341	653,341	-	-
Real estate/other	2,353,608	0	2,353,607	-
Perpetual Trust	826,664	0	826,664	-
Total Investments	\$8,407,626	\$6,054,018	\$2,353,607	\$0

Collateralization of Deposits. At June 30, 2018, the recorded values of cash and time deposits with financial institutions were as follows. Bank balances (which differ from the reported values due to reconciling items) are categorized as follows:

	Primary Institution	Component Unit
Amount insured by the Federal Deposit Insurance Corporation	\$ 404,984	\$ 250,000
Amount collateralized with securities held in the University's name by their agent	8,223,373	
Uncollateralized	301,887	799,226
Uncollateralized (NMFA fbo WNMU)	765,507	
Total Cash and Time Deposit Bank Balances	9,695,751	1,049,226
Other reconciling items on deposit accounts	(188,816)	(11,308)
Total reported cash balance	\$ 9,506,935	\$ 1,037,918

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 2. CASH AND INVESTMENTS continued

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the University's deposit may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2018, \$301,887 of the University's bank balance was uninsured and uncollateralized. When applicable, all collateralized deposits are held by the pledging bank's trust department in the University's name. The cash on deposit and held by others (NMFA) has no collateral requirements.

Interest Rate Risk. In accordance with the University's investment policy, investment maturities for cash balances are scheduled to coincide with projected cash flows. The University does not commit any discretionary funds to maturities longer than ten years from the date of purchase. Funds are only committed to maturities longer than five years from date of purchase if directly related to a specific capital or other long-term project. Investment of non-discretionary funds reflect maturity dates not to exceed the final maturity dates established within the funds' restrictive purposes. At least 50% of all cash balances are invested in maturities less than two years.

A summary of the investments, the respective maturities of the investments, and the exposure to interest rate risk at June 30, 2018 is:

	Fair Value	Less Than One Year	1 – 5 Years	6 – 10 Years	Greater Than 10
Long-Term Investments:					
<u>Primary Institution:</u>					
Items not subject to interest rate risk:					
Equity securities and investments held by others	\$1,897,662	\$-	\$-	\$-	\$-
Certificate of deposit	12,469,073	1,242,316	10,975,663	248,098	-
FederalsSecurities	147,174	-	147,174	-	-
NM municipal bonds	1,731,214	299,174	1,432,040	-	-
<i>Total long-term investments</i>	\$16,245,123	\$1,541,490	\$12,554,877	\$248,098	\$-

The University invests in equity securities in accordance with the laws of 1991, Chapter 69 of the State of New Mexico and Chapter 21, Article 1, Section 10 of the NMSA, 1978 Compilation. The brokered certificates of deposits were purchased in increments between \$100,000 and \$500,000 at 39 separate financial institutions and are fully insured by FDIC.

The real estate investment trust, limited partnerships, and hedge funds are investments which are readily traded on the open stock market.

	Fair Value	Less Than One Year	1 – 5 Years	6 – 10 Years	Greater Than 10
Long-Term Investments:					
<u>Component Unit:</u>					
Items not subject to interest rate risk:					
Equities	\$ 5,400,677	\$ 5,400,677	\$-	\$-	\$-
Fixed Income	653,341	27,804	172,951	90,194	362,392
Real Estate/Other	2,353,608	-	-	-	2,353,608
<i>Total long-term investments</i>	\$ 8,407,626	\$ 5,428,481	\$ 172,951	\$ 90,194	\$2,716,000

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2. CASH AND INVESTMENTS continued

Credit Risk. The University's investment policy limits investment in money market instruments and other securities of commercial banks, broker-dealers or recognized financial institutions to those rated in the highest Rating Category by any nationally recognized statistical rating organization (NRSROs) or which are guaranteed by a person or entity whose long-term debt obligations are rated in the highest Rating Category by any NRSRO, including, without limitation, securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 USC Sections 80(a)-1 et. Seq., which invest only in, or whose securities are secured only by obligations of the government of the United States of America. The University's investment in mutual funds was unrated by Moody's or Standard and Poor's. The University's investment of the endowment fund is governed by a revocable trust agreement with the Foundation. The fixed income investments held in trust for the University by the Foundation have, in the aggregate, a weighted average rating of Aa1 by Moody's Investor Service.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the University or the Foundation's investment in a single type of security. The University diversifies its use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio is invested in a single security type or with a single financial institution or at a single maturity.

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the component unit's deposit may not be returned to it. The Foundation does not have a deposit policy for custodial risk. As of June 30, 2018, FDIC insurance in the amount of \$500,000 was in place; the remaining balance of \$104,740 of the component unit's bank balance of \$1,037,918 was uninsured and uncollateralized. However, there are no collateralized deposits required.

Custodial Credit Risk-Endowment Investments. The University has its endowments invested primarily in certificates of deposit and one government revenue bond. For an investment, this is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The

University's custodial risk policy for University endowment funds is in accordance with the laws of 1991, Chapter 69 of the State of New Mexico and Chapter 21, Article 1, Section 10 of the NMSA, 1978 compilation. As of June 30, 2018, the University's endowment balance in certificates of deposit was \$1,231,599 with \$147,174 as the balance in the government revenue bond. Of the investment in corporate stocks and bonds, the University had no custodial credit risk exposure at June 30, 2018.

The Foundation's investment portfolio is covered by the Securities Investor Protection Corporation (SIPC), up to \$500,000 of protection, of which \$250,000 may be cash for each protected account.

Additionally, the brokerage firm provides supplemental protection on eligible assets over \$500,000 through underwriters, subject to aggregate loss limit of \$600 million. A per client limit for cash is \$1,900,000. Note that SIPC does not protect against losses in the portfolio value due to market valuations.

Foreign Currency Risk. Foreign currency risk is the potential risk of loss arising from investments denominated in foreign currencies when there are changes in exchange rates. The potential risk of loss arising from changes in exchange rates can be significant. At June 30, 2018, the University and the Foundation held no investments denominated in foreign currencies and therefore had no foreign currency risk.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3. CAPITAL ASSETS

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

	Balance June 30, 2017	Additions	Transfers	Retirements	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$1,334,481	\$-	\$-	\$-	\$1,334,481
Collections	446,830	-	-	-	446,830
Construction in process	1,744,442	5,882,973	(498,868)	-	7,128,547
Total capital assets not being depreciated	\$3,525,753	\$5,882,973	\$498,868	\$-	\$8,909,858
Other Capital Assets:					
Land improvements	\$5,453,474	\$258,926	\$498,868	\$-	\$6,211,268
Buildings	94,953,838	556,760	-	-	95,510,598
Equipment	10,695,818	322,046	-	\$257,809	10,760,055
Library materials	12,050,401	124,114	-	260,166	11,914,349
Total other capital assets	\$123,153,531	\$1,261,846	\$498,868	\$517,975	\$124,396,270
Less Accumulated Depreciation for:					
Land improvements	\$2,888,751	\$163,052	\$-	\$-	\$3,051,803
Buildings	53,605,196	2,661,960	-	-	56,267,156
Equipment	8,891,492	397,015	-	257,809	9,030,698
Library materials	11,128,070	210,100	-	259,480	11,078,690
Total accumulated depreciation	\$76,513,509	\$3,432,127		\$517,289	\$79,428,347
Other capital assets, net	\$46,640,022	(\$2,170,281)	\$-	\$686	\$44,967,923
Capital Assets Summary:					
Capital assets not being depreciated	\$3,525,753	\$5,882,973	\$(498,868)	\$-	\$8,909,858
Other capital assets, at cost	123,153,531	1,261,846	-	517,975	124,396,270
Total cost of capital assets	126,679,284	7,144,819	498,868	517,975	133,306,128
Accumulated depreciation	(76,513,509)	(3,432,127)	-	(517,289)	(79,428,347)
Capital assets, net	\$50,165,775	(\$3,712,692)	-	\$686	\$53,877,781

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3. CAPITAL ASSETS continued

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

	Balance June 30, 2017	Additions	Transfers	Retirements	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$8,120	\$-	\$-	\$-	\$8,120
Collections	-	-	-	-	-
Total capital assets not being depreciated	8,120	-	-	-	8,120
Other Capital Assets:					
Leasehold improvements	-	-	-	-	-
Buildings	-	-	-	-	-
Software	1,448	-	-	-	1,448
Equipment	9,908	1,527	-	-	11,435
Total other capital assets	11,356	1,527	-	-	12,883
Less Accumulated Depreciation for:					
Leasehold improvements	-	-	-	-	-
Buildings	-	-	-	-	-
Software	(1,447)	-	-	-	(1,447)
Equipment	(9,773)	(313)	-	-	(10,086)
Total accumulated depreciation	(11,220)	(313)	-	-	(11,533)
Other capital assets, net	\$8,256	\$(1,214)	\$-	\$-	\$9,470
Capital Assets Summary:					
Capital assets not being depreciated	\$8,120	\$-	\$-	\$-	\$8,120
Other capital assets, at cost	11,356	1,527	-	-	12,883
Total cost of capital assets	19,476	-	-	-	21,003
Accumulated depreciation	(11,220)	(313)	-	-	(11,533)
Capital assets, net	\$8,256	\$(1,214)	\$-	\$-	\$9,470

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4. PAYABLES AND ACCRUED LIABILITIES

Payables and accrued liabilities consist of the following at June 30, 2018:

Accounts payables	\$1,697,267
Accrued payroll	225,904
Accrued payroll taxes, insurance, and retirement benefits	318,645
Other accrued liabilities	250,225
	\$2,492,041

NOTE 5. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2018, is as follows:

	Beginning Balance	Additions	Retirements	Adjmts	Ending Balance	Amount due in one year
Bond Payable	\$17,600,000		\$- (\$1,270,000)	\$-	\$16,330,000	\$1,240,000
Bond Premium	737,236		(35,106)	-	\$702,130	35,106
Notes Payable	114,858	57,139	(35,456)	-	136,541	38,266
Compensated Absences	771,287	393,058	(622,442)	-	541,903	92,123
Total	\$19,223,381	\$450,197	(\$1,963,004)	\$0	\$17,710,574	\$1,405,495

Additional information regarding Revenue Bonds Payable is included in Note 5.

NOTE 6. REVENUE BONDS

Tuition, fees and certain other income, excluding state appropriations and restricted contributions and grants are pledged revenues on bonds payable. Revenue bonds payable consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Balance June 30, 2018</u>
System Revenue Bonds , Series 2012, Due June 1, 2038 Bond premium	2.00% - 5.5%	10,525,000 261,528
System Refunding and Improvement Revenue Bonds, Series 2013, Due June 1, 2038 Bond premium	2.10% - 5.1%	4,445,000 462,632
System Improvement Revenue Bonds, Series 2014, Due June 1, 2021 Bond premium	1.970%	1,360,000
		\$17,054,160

The scheduled maturities of the revenue bonds and notes payable are as follows:

<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

2019	\$1,240,000	\$583,663	\$1,823,663
2020	980,000	549,239	1,529,239
2021	1,005,000	523,511	1,528,511
2022	570,000	488,549	1,058,549
2023	590,000	464,044	1,054,044
2024 - 2028	3,310,000	1,986,639	5,296,639
2029 - 2033	3,915,000	1,377,261	5,292,261
2034 - 2038	4,720,000	569,284	5,289,284
Totals	\$16,330,000	\$6,542,190	\$22,872,190

The bonds outstanding are secured by the collection of monies from all income producing facilities of the University, gross proceeds from student fees and certain other revenue as further defined in the bond resolutions.

Interest expense incurred during June 30, 2018, was \$627,416 and is recorded in other expenses.

NOTE 7. EMPLOYEE BENEFITS

Workers' Compensation Insurance. The University 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 University remits payments to RMD for this coverage based on premium statements received from RMD. Total expense for the year ended June 30, 2018, was \$10,360 which has been charged to expenses.

Pension Plan – Educational Retirement Board. Substantially all of the University'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, other employees of state public school districts, colleges and universities, and some state agency employees) 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, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy.

Member Contributions - Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 10.7% of their gross salary in fiscal year 2018 and thereafter.

Employer Contributions – In fiscal year 2018, and thereafter, the University was required to contribute 13.9% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 13.9% of the gross covered salary for employees whose annual salary is more than \$20,000.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7. EMPLOYEE BENEFITS continued

The contribution requirements of plan members and the University are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The University's contributions to ERB for the fiscal years ending June 30, 2018, 2017, and 2016, were \$2,177,172, \$2,356,262, \$2,274,359, respectively, which equal the amount of the required contributions for each fiscal year. The University's contributions to ERB for the Foundation for the fiscal years ending June 30, 2018, 2017, and 2016 were \$23,162, \$18,629, \$18,643, respectively.

When employing retired PERA members, the University must remit 13.9% of the applicable wages to ERB when member's annual salary is less than \$20,000. The rate is also 13.9% when salary is in excess of \$20,000. The University's contributions for PERA retirees for the fiscal years ending June 30, 2018, 2017, and 2016 were \$36,796, \$29,406 \$33,809, respectively.

Other Post-Employment Benefit Plans

Plan Description. The University contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7. EMPLOYEE BENEFITS continued

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2018, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2018, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to

contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The University's contributions to the RHCA for the years ended June 30, 2018, 2017 and 2016 were \$349,050, \$377,766, and \$366,254, respectively, which equal the required contributions for each year. The University's contributions to the RHCA for the Foundation for the years ended June 30, 2018, 2017, and 2016 were \$3,333, \$2,680, \$2,682, respectively.

Incentive Retirement Policy. As of June 30, 2018, 11 faculty members had entered into the incentive retirement plan. At June, 30, 2018, the incentive retirement payable is \$281,836 of which \$138,890 is payable within one year.

Tenured faculty members may negotiate for and take advantage of an appreciable and substantial monetary benefit in consideration for voluntary selection of early retirement. The faculty members requesting benefits under the program must:

1. Reach the age of 60 to 69 on or before July 1 of the calendar year preceding the proposed date of incentive retirement.
2. Be employed under appointment with tenure with ten or more years of continuous service at the University.

Participants receive a financial incentive in exchange for surrender of tenure and termination of employment, as specified in a written incentive retirement contract, described below. Specific dollar settlement incentive amounts are based on a percentage of the participant's base salary for the first year and the preceding year's base salary (as approved by the President of the University) for all future years of the program.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7. EMPLOYEE BENEFITS continued

The amount of the incentive retirement payment is calculated as provided below:

<u>Age*</u>	<u>Percentage</u>	<u>Normal Incentive Payout Period</u>
60	100%	5 years (20% of base pay per year)
61	100%	4 years (25% of base pay per year)
62	100%	3 years (33.33% of base pay per year)
63	87.5%	3 years (29.16% of base pay per year)
64	75%	3 years (25% of base pay per year)
65	62.5%	2 years (31.25% of base pay per year)
66	50%	2 years (25% of base pay per year)
67	37.5%	1 payment
68	25%	1 payment
69	12.5%	1 payment

*On or before July 1 of each year preceding the academic year in which individual elects to participate in the program. No benefit shall be payable to an individual requesting to participate who has reached age 70 on or before July 1 of the year preceding the request.

Payments under the Incentive Retirement Plan for participants are made in equal monthly installments for the period specified above beginning thirty days from the effective date of termination; however, a modified payment schedule may be negotiated between the participant and the University.

Alternate Retirement Plan-ERB. There is an additional alternate defined contribution retirement plan, administered through the Educational Retirement Board which certain employees (faculty or other professionals) employed on or after July 1, 1991, may elect instead. Article II, Section 22, NMSA, 1978 compilation, as amended, passed by the 1991 New Mexico Legislature, and signed into law by Governor Bruce King, provides for the implementation of an Alternative Retirement Plan (ARP) in Sections 22-11-47 through 22-11-52. All Plan Contributions are 100 percent vested at all times and does not provide for forfeitures. Participants in ARP have the option of investing with either TIAA CREF or Fidelity Investments. While the Educational Retirement Board has approved the afore-mentioned Annuity Carriers, the Participant will invest in these vehicles at their own risk and discretion.

Contributions: For fiscal year ending June 30, 2018, contribution rates for an employee who elects to participate in the alternate plan are 10.7% of gross salary and 10.9% of gross salary for the University. The University is also required to contribute to the Educational Retirement Board an additional 3% of the gross salary of each employee so that the University's total contribution for each participating employee is 13.9% of the employee's gross salary. The University's alternative retirement plan contributions to ERB for the fiscal years ending June 30, 2018, 2017, and 2016, were \$40,640, \$48,019, \$44,667, respectively, which equal the amount of the required contributions for each fiscal year.

Alternative Retirement Plan-403(b). In addition to the ERB plan, the University sponsors a 403(b) defined savings contribution plan for its employees. The University does not contribute or match any funds in the 403(b) savings program. The total amount of employee contributions for the fiscal year 2018 was \$40,560.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7. EMPLOYEE BENEFITS continued

Alternative Retirement Plan-457(b). In October 1997, the University's Governing Board adopted the State of New Mexico's Deferred Compensation Plan. The 457 Deferred Compensation Plan was implemented fall 1997 and provides an additional voluntary retirement savings option for all employees. Under the plan in calendar year 2016, employees may voluntarily contribute up to a maximum of \$18,000 if under age 50, and up to a maximum of \$24,000 if the employee is 50 or older. The University does not contribute or match any funds in the 457(b) savings program. The total amount of employee contributions for the fiscal year 2018 was \$87,586.

NOTE 8. RESTRICTED NET POSITION – ENABLING LEGISLATION

No portion of the University's June 30, 2018 net position is restricted due to enabling legislation for House Bills for Capital Projects.

NOTE 9. SPECIAL CAPITAL OUTLAY APPROPRIATION

The University has the following capital outlay appropriations as of June 30, 2018:

<u>Description</u>	<u>Appropriation Period</u>	<u>Appropriated Amount</u>	<u>Expended Total TD</u>	<u>Encumbered Balance</u>	<u>Remaining Amount</u>
Harlan Hall Renov (Sev Tax)	2015	\$891,000	\$743,720	\$25,066	\$122,214
WNMU Emergency Telephone					
Poles (Sev Tax)	2016	195,000	191,992	-	3,008
Infrastructure (GO Bond)	2015	5,940,000	5,940,000	-	-
Harlan Hall & Infrastructure (GO Bond)	2016	4,950,000	2,537,700	547,448	1,864,852
<i>Grand Total</i>		\$11,976,000	\$9,413,412	572,514	\$1,990,074

Harlan Hall Renovation

Harlan Hall was appropriated severance tax funds to plan, design, renovate and construct improvements and infrastructure; which is where the sciences are housed. The funds were used to construct an external chemical storage building to improve safety and provide a centralized location for the hazardous materials to be stored. The plans included fire suppression, HVAC, and appropriate ventilation. The remaining funds will be used to continue infrastructure improvements.

WNMU was also appropriated general obligation bonds for various projects to include Harlan Hall. The funds for Harlan Hall are to plan, design, demolish, construct, improve, landscape and equip Harlan Hall and for infrastructure upgrades campus-wide. Other approved projects include the final improvements on Fleming Hall, the abatement of Ritch Hall, the demolition of Eckles Hall, repairing the Juan Chacon Building's roof, repairing the steps for Miller Library and campus-wide paving as well as an underground utility project.

Fleming Hall

WNMU was appropriated general obligation bonds for various projects, to include Fleming Hall. The funds for Fleming Hall were used to plan, design, construct, and renovate the university museum, including utility infrastructure. The funds were used toward construction costs and architectural fees.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. SPECIAL CAPITAL OUTLAY APPROPRIATION continued

WNMU Emergency Telephone Poles

WNMU was appropriated severance tax funds to plan, design, construct, purchase and install emergency telephone poles campus-wide, including related information technology, equipment, furniture and infrastructure. Remaining funds will be used for purchases to complete the project.

NOTE 10. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN

Summary of Significant Accounting Policies

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

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

The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

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

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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN continued

Pension Benefit. A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

Summary of Plan Provisions for Retirement Eligibility. For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

- The member's age and earned service credit add up to the sum of 80 or more,
- The member is at least sixty-seven years of age and has five or more years of earned service credit,
or
- The member has service credit totaling 30 years or more.

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

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

Forms of Payment. The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

Benefit Options. The Plan has three benefit options available.

- Option A. Straight Life Benefit – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN continued

- Option B. Joint 100% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

- Option C. Joint 50% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

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

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN continued

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

Alternative Retirement Plan. Effective October 1991, the New Mexico legislature established an Alternative Retirement Plan (ARP) through the enactment of ERA Sections 22-11-47 through 52 NMSA 1978 to provide eligible employees an election to establish an alternative retirement investment plan. In contrast to

the defined benefit plan administered by NMERB, the ARP is a defined contribution plan. NMERB is the trustee of the ARP which is administered by two third party contractors for NMERB. The administrators approved to offer ARP plans to eligible participants are Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF), and Fidelity Investments.

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

Eligibility. Certain employees of the University of New Mexico, New Mexico State University, New Mexico Institute of Mining and Technology, New Mexico Highlands University, Eastern New Mexico University, Western New Mexico University, Central New Mexico Community College, Clovis Community College, Luna Community College, Mesalands Community College, New Mexico Junior College, Northern New Mexico College, San Juan College and Santa Fe Community College are eligible to make an election to participate within ninety days of employment. Information about the ARP is distributed by the employer. Those who do not elect to participate in the ARP remain members of the regular defined benefit retirement plan. Section 22-11-47(D) NMSA 1978 allows an ARP participant a one-time option to make an irrevocable switch to the defined benefit retirement plan after seven years of ARP participation.

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

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

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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN continued

ARP Contributions. For the year ended June 30, 2018, colleges and universities contributed 10.90% of participating employees' gross salary to the ARP vendor on behalf of the participant, and 3% of the employees' gross salary to NMERB. The colleges and universities are responsible for submitting the balance of the employers' contribution, and the employees' contributions directly to the ARP vendors. Employees participating in the ARP do not accrue rights to benefits in the defined benefit pension plan based on the 3% contributions to the Plan. Employer contributions reported in the Statement of Changes in Fiduciary Net Position include amounts remitted on behalf of both the ARP defined contribution plan and the defined benefit plan. The 3% contribution remitted for fiscal years ended June 30, 2018 and 2017 were \$40,640 and \$48,019 respectively.

Contributions. For the fiscal year ended June 30, 2018 and 2017 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2018	7/1/17 to 6/30/18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7/1/17 to 6/30/18	\$20K or less	7.90%	13.90%	21.80%	0.00%
2017	7/1/16 to 6/30/17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7/1/16 to 6/30/17	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, the University paid employee and employer contributions of \$2,177,172 and \$2,356,262, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the University reported a liability of \$69,255,800 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. The University's proportion of the net pension liability was based on the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the University's proportion was 0.62317%, which was an increase of 0.01977% from its proportion measured as of June 30, 2016.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN continued

For the year ended June 30, 2018, the University recognized pension expense of \$11,611,637. At June 30, 2018, University's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 124,321	\$ (1,066,951)
Change of assumptions	20,217,129	
Net difference between projected and actual earnings on pension plan investments	-	(9,500)
Changes in proportion and differences between the University contributions and proportionate share of contributions	1,363,274	(600,450)
Employer contributions subsequent to the measurement date	2,286,450	
Total	\$ 23,991,174	\$ (1,676,901)

\$2,286,450 reported as deferred outflows of resources related to pensions resulting from University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$7,315,676
2019	8,344,467
2020	4,937,949
2021	(570,269)

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

Inflation	2.50%
Salary increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN continued

Average of Expected	Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Remaining Service Lives	Service life in years	3.65	3.77	3.92	3.88

Mortality

Healthy males: Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table's base year of 2000.

Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.

Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.

Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.

Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.

Retirement Age Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.

Cost-of-living increases 1.90% per year, compounded annually.

Payroll growth 3.00% per year (with no allowance for membership growth).

Contribution accumulation The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.

Disability Incidence Approved rates applied to eligible members with at least 10 years of service.

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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN continued

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	33%	
Fixed Income	26%	
Alternatives	40%	
Cash	1%	
Total	100%	7.25%

Discount rate. A single discount rate of 5.9% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.56%, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

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

Sensitivity of the University proportionate share of the net pension liability to changes in the discount rate. The following presents the *University's* proportionate share of the net pension liability calculated using the discount rate of 5.90 percent, as well as what the *University's* proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.90 percent) or 1-percentage-point higher (6.90 percent) than the current rate:

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN continued

	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
University's proportionate share of the net pension liability	\$90,153,829	\$69,255,800	\$52,173,362

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

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB

Plan description. Employees of Western New Mexico University are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet

receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) continued

Employees covered by benefit terms. At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan Membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,349</u>
	<u>160,035</u>
Active Membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>97,349</u>

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from Western New Mexico University were \$349,050 for the year ended June 30, 2018.

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

At June 30, 2018, Western New Mexico University reported a liability of \$19,938,908 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, Western New Mexico University's proportion was 0.43999 percent.

For the year ended June 30, 2018, Western New Mexico University recognized OPEB expense of \$792,707. At June 30, 2018 Western New Mexico University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (765,150)
Change of assumptions	-	(3,486,064)
Differences between actual and projected earnings on OPEB plan investments	-	(286,835)
Contributions made after the measurement date	349,050	-
Total	\$ 349,050	\$ (4,538,049)

Deferred outflows of resources totaling \$349,050 represent Western New Mexico University's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:

2019	(964,821)
2020	(964,821)
2021	(964,821)
2022	(964,821)
2023	(678,765)
Total	<u>(\$4,538,049)</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) continued

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions. The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	4.1%
U.S. equity - large cap	9.1
Non U.S. - emerging markets	12.2
Non U.S. - developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity - small/mid cap	9.1

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

1% Decrease (2.81%)	Current Discount (3.81%)	1% Increase (4.81%)
\$ 24,185,585	\$ 19,938,908	\$ 16,607,009

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) continued

The following presents the net OPEB liability of Western New Mexico University, as well as what the university's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Trend Rates	1% Increase
\$ 16,959,414	\$ 19,938,908	\$ 22,262,177

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability. At June 30, 2018, Western New Mexico University reported a payable of \$47,831 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Operating Leases. The University 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 University 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 University. Rent expense for the year ended June 30, 2018 was \$209,623. The University is currently paying Luna County month to month until a long term lease agreement can be signed for the Deming facility.

The University has entered into a Memorandum of Understanding with the Town of Silver City to do road work to College Avenue. The estimated total cost for the project is \$1,391,700; Town of Silver City's portion is \$666,747 for paving, curbs, sidewalks and gutter concrete work.

Future minimum rental payments required under operating leases is as follows for the years subsequent to June 30, 2018:

2019	\$89,030
2020	5,827
	\$94,857

Construction obligations of \$2,157,097 are not presented in the financial statements. These obligations represent unfinished contracts with various entities.

Contingencies. Reimbursements for amounts expended by the University 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 prior years are available to be audited by federal and state agencies

It is the opinion of University management that adjustments, if any, will not have a material effect on the University's financial position or results of operations.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12. COMMITMENTS AND CONTINGENCIES continued

State Risk Management Pool - The University as an institution of higher education as defined in the New Mexico Tort Claims Act, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid to the NMPSIA for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the University
2. Coverage to protect the University's property and assets.

The University 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 University's financial position or results of operations.

NOTE 13. RESTATEMENT OF NET POSITION

The following prior period adjustments were made to the beginning net position previously reported in the University's financial statements at June 30, 2017.

Net position as originally stated at June 30, 2017	\$ 16,079,042
Prior period adjustment for OPEB Liability	
GASB 75 Postemployment Benefits Other Than Pensions	(24,062,018)
Net position restated at June 30, 2017	<u>\$ (7,982,976)</u>

WESTERN NEW MEXICO UNIVERSITY
UNRESTRICTED AND RESTRICTED - ALL OPERATIONS
AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ 14,494,024	\$ 18,579,124	\$ 18,579,124	\$ -
Revenues				
State general fund appropriations	19,000,600	19,000,600	\$ 19,000,600	0
Federal revenue sources	6,368,593	7,499,305	\$ 6,231,290	\$ (1,268,015)
Tuition and fees	15,282,359	14,957,651	\$ 17,590,905	\$ 2,633,254
Land and permanent fund	176,711	190,286	\$ 264,656	\$ 74,370
Endowments and private gifts	-	-	\$ -	\$ -
Other	8,836,692	18,752,200	\$ 13,203,794	\$ (5,548,406)
<i>Total Unrestricted & Restricted Revenues</i>	<u>49,664,955</u>	<u>60,400,042</u>	<u>56,291,245</u>	<u>(4,108,797)</u>
Expenditures				
Instruction	14,302,999	15,520,686	\$ 14,603,737	\$ 916,949
Academic support	1,876,438	1,869,371	\$ 1,766,341	\$ 103,030
Student services	2,192,885	2,476,143	\$ 2,340,485	\$ 135,658
Institutional support	9,109,667	7,759,806	\$ 6,379,372	\$ 1,380,434
Oper. & maint. of plant	3,134,806	3,054,608	\$ 2,743,240	\$ 311,368
Research	51,478	456,068	\$ 243,955	\$ 212,113
Public service	873,198	2,466,414	\$ 2,214,938	\$ 251,476
Auxiliary enterprises	2,475,332	2,878,281	\$ 2,350,567	\$ 527,714
Intercollegiate athletics	2,515,728	2,571,207	\$ 2,421,686	\$ 149,521
Capital outlay	812,243	11,618,040	\$ 6,798,409	\$ 4,819,631
Renewal and replacements	955,996	2,089,151	\$ 1,075,614	\$ 1,013,537
Retirement of indebtedness	1,958,396	1,958,396	\$ 1,909,406	\$ 48,990
Other	10,403,911	10,872,832	\$ 9,158,992	\$ 1,713,840
<i>Total Unrestricted & Restricted Expenditures</i>	<u>50,663,077</u>	<u>65,591,003</u>	<u>54,006,742</u>	<u>11,584,261</u>
Net Transfers	-	-	11,498	(11,498)
Change in net position-budgetary basis	(998,122)	(5,190,961)	2,296,001	7,486,962
<i>Ending Fund Balance</i>	<u>\$ 13,495,902</u>	<u>\$ 13,388,163</u>	<u>\$ 20,875,125</u>	<u>\$ 7,486,962</u>

WESTERN NEW MEXICO UNIVERSITY
 COMBINED REVENUES, EXPENDITURES,
 AND BEGINNING AND ENDING BALANCES BUDGET COMPARISONS (CONTINUED)
 YEAR ENDED JUNE 30, 2018

RECONCILIATION OF BUDGET BASIS TO GENERALLY ACCEPTED
 ACCOUNTING PRINCIPLES (GAAP) BASIS

Budget basis expenditures	54,006,742
Capital expenditures	(6,626,844)
Loss on disposal of equipment	(686)
Depreciation	2,914,838
Net pension/OPEB adjustment	9,393,164
Incentive retirement salaries	(14,012)
Scholarship allowance	(6,209,180)
Bond payments	(1,283,423)
Other	(230,122)
GAAP basis expenses	51,950,477
<hr/>	
Budget basis revenues	56,291,245
Scholarship allowance	(6,209,180)
Endowment Funds	(70,780)
Foundation Invoice	79,858
Other	4,210
GAAP basis revenues	50,095,353

The reporting of actuals (budgetary basis) is a non-GAAP accounting method that excludes

WESTERN NEW MEXICO UNIVERSITY
UNRESTRICTED - NON INSTRUCTION & GENERAL
REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ 11,844,818	\$ 14,286,035	\$ 14,286,035	\$ -
Revenues				
Tuition	-	-	-	
Miscellaneous fees	2,159,741	2,172,418	4,666,503	\$ 2,494,085
Government appropriation - federal	-			
Government appropriations-state	1,935,700	1,935,700	1,935,700	\$ -
Government appropriations-local	-	-		
Government grants/contracts - federal	-	-		
Government grants/contracts - state	-	-		
Government grants/contracts -local	-	-		
Private grants/contracts	-	-		
Endowments	-	-		
Land and permanent fund	-	-		
Private gifts	-	-		
Sales & service	3,565,334	4,073,385	4,169,528	\$ 96,143
Other sources	2,803,221	11,075,269	5,977,660	\$ (5,097,609)
<i>Total revenues</i>	10,463,996	19,256,772	16,749,391	(2,507,381)
Expenditures				
Instruction and general	-	-	-	-
Student social and cultural	1,148,627	1,546,624	1,329,932	\$ 216,692
Research	51,478	65,654	51,723	\$ 13,931
Public service	873,198	1,040,971	914,568	\$ 126,403
Internal service departments	324,058	327,163	303,312	\$ 23,851
Student aid	740,135	824,696	699,577	\$ 125,119
Auxiliary enterprises	2,465,232	2,878,281	2,350,567	\$ 527,714
Intercollegiate athletics	2,515,728	2,571,207	2,421,686	\$ 149,521
Independent operations	-	-		\$ -
Capital outlay	812,243	11,618,040	6,798,409	\$ 4,819,631
Renewal and replacements	955,996	2,089,151	1,075,614	\$ 1,013,537
Retirement of indebtedness	1,958,396	1,958,396	1,909,406	\$ 48,990
<i>Total expenditures</i>	11,845,091	24,920,183	17,854,794	7,065,389
Net Transfers	382,973	3,027,806	3,016,308	11,498
Change in net position-budgetary basis	(998,122)	(2,635,605)	1,910,905	4,546,510
<i>Ending Fund Balance</i>	\$ 10,846,696	\$ 11,650,430	\$ 16,196,940	\$ 4,546,510

WESTERN NEW MEXICO UNIVERSITY
RESTRICTED -NON INSTRUCTION & GENERAL
REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
Revenues				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriations-state	-	-	-	-
Government appropriations-local	-	-	-	-
Government grants/contracts - federal	6,188,793	6,873,407	5,691,414	(1,181,993)
Government grants/contracts - state	957,548	1,979,807	1,702,249	(277,558)
Government grants/contracts -local	826,850	710,492	204,484	(506,008)
Private grants/contracts	228,000	426,500	720,626	294,126
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	-	-	-	-
Other sources	-	-	-	-
<i>Total Restricted Revenues</i>	8,201,191	9,990,206	8,318,773	(1,671,433)
Expenditures				
Instruction and general	-	-	-	-
Student social and cultural	23,077	-	-	-
Research	-	390,414	192,232	198,182
Public service	-	1,425,443	1,300,370	125,073
Internal service departments	-	-	-	-
Student aid	8,168,014	8,174,349	6,826,171	1,348,178
Auxiliary enterprises	10,100	-	-	-
Intercollegiate athletics	-	-	-	-
Independent operations	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
<i>Total Restricted Expenditures</i>	8,201,191	9,990,206	8,318,773	1,671,433
Net Transfers	-	-	-	-
Change in net position-budgetary basis	-	-	-	-
<i>Ending Fund Balance</i>	\$ -	\$ -	\$ -	\$ -

WESTERN NEW MEXICO UNIVERSITY
UNRESTRICTED - INSTRUCTION & GENERAL
REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ 2,649,206	\$ 4,293,089	\$ 4,293,089	\$ -
Revenues				
Tuition	11,492,536	10,850,964	10,805,731	(45,233)
Miscellaneous fees	1,630,082	1,934,269	2,118,671	184,402
Government appropriation - federal	-	-	-	
Government appropriations-state	17,064,900	17,064,900	17,064,900	0
Government appropriations-local	-	-	-	
Government grants/contracts - federal	10,000	10,000	13,335	3,335
Government grants/contracts - state	-	-	-	
Government grants/contracts -local	-	-	-	
Private grants/contracts	-	-	-	
Endowments	-	-	-	
Land and permanent fund	176,711	190,286	264,656	74,370
Private gifts	-	-	-	
Sales & service	74,000	79,340	98,271	18,931
Other sources	236,449	256,062	168,261	(87,801)
<i>Total Unrestricted Revenues</i>	<u>30,684,678</u>	<u>30,385,821</u>	<u>30,533,825</u>	<u>148,004</u>
Expenditures				
Instruction	14,183,449	15,011,507	14,168,033	843,474
Academic support	1,824,472	1,803,831	1,697,030	106,801
Student services	2,145,243	2,408,676	2,207,964	200,712
Institutional support	9,018,787	7,688,831	6,328,845	1,359,986
Oper. & maint. of plant	3,129,754	3,000,526	2,742,047	258,479
<i>Total Unrestricted Expenditures</i>	<u>30,301,705</u>	<u>29,913,371</u>	<u>27,143,919</u>	<u>2,769,452</u>
Net Transfers	(382,973)	(3,027,806)	(3,016,308)	(11,498)
Change in net assets-budgetary basis	0	(2,555,356)	373,598	2,928,954
<i>Ending Fund Balance</i>	<u>2,649,206</u>	<u>1,737,733</u>	<u>4,666,687</u>	<u>2,928,954</u>

WESTERN NEW MEXICO UNIVERSITY
RESTRICTED - INSTRUCTION & GENERAL
REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
Restricted Revenues				
Tuition	\$ -	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriation - state	-	-	-	-
Government appropriation - local	-	-	-	-
Government grants/contracts - federal	169,800	615,898	539,876	(76,022)
Government grants/contracts - state	145,290	147,503	147,503	0
Government grants/contracts -local	-	3,842	1,877	(1,965)
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	-	-	-	-
Other sources	-	-	-	-
<i>Total Restricted Revenues</i>	315,090	767,243	689,256	(77,987)
Restricted Expenditures				
Instruction	119,550	509,179	435,704	73,475
Academic support	51,966	65,540	69,311	(3,771)
Student services	47,642	67,467	132,521	(65,054)
Institutional support	90,880	70,975	50,527	20,448
Oper. & maint. of plant	5,052	54,082	1,193	(52,889)
<i>Total Restricted Expenditures</i>	315,090	767,243	689,256	77,987
Net Transfers	-	-	-	-
Change in net assets-budgetary basis	-	-	-	-
<i>Ending Fund Balance</i>	\$ -	\$ -	\$ -	\$ -

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS
YEAR ENDED JUNE 30, 2018

Name of Bank	Account Type	Balance per bank statement	Balance per books
<hr/>			
Wells Fargo, Silver City, NM			
Federal funds	Checking	\$ 11	\$ 11
Bond Debt Service	Checking	2,636,201	2,636,201
Operating	Checking	4,111,793	3,916,448
Wells Fargo Brokerage Services, LLC			
Money market (U.S. Govt. Agency)	Money Market	2,027,254	2,027,254
Bank of The Southwest, T or C, NM			
Operating	Checking	0	-
1st National Bank, Centennial, CO			
Federal	Checking	53,848	53,848
Bank of New York (NMFA)	Reserve	765,507	765,507
Bank of Albuquerque (NMFA)	Reserve	(0)	(0)
Petty Cash	Cash on Hand	6,530	6,530
Watts Foundation			
Wells Fargo, Silver City, NM			
Operating	Checking	101,136	101,136
PRIMARY INSTITUTION CASH		9,702,280	9,506,935
<hr/>			
First American Bank, Silver City, NM			
Operating	Checking	1,001,746	990,438
Money market	Money Market	38,588	38,588
Various investment accounts			
Charles Schwab #1453-1100	Money Market	6,380	6,380
Charles Schwab #7807-1329	Money Market	2,512	2,512
COMPONENT UNIT CASH		1,049,226	1,037,918
<hr/>			

WESTERN NEW MEXICO UNIVERSITY

SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

Name of Bank/Broker	Investment Type	Market Value
Primary Institution		
Wells Fargo, Silver City, NM Held in Wells Fargo vault	Stock	\$ 1,897,662
Moreton Capital Markets		
Brokered Certificates of Deposit (56 banks)	CDs	12,469,073
New Mexico Finance Authority	Bond	
Government Revenue Bonds (2)	Bond	147,174
Federal Home Loan Bank	Bond	1,731,214
Watts Foundation		
Bank of America, Silver City, NM Certificate of Deposit	CD	
<i>Primary Institution Investments</i>		16,245,123
Component Unit		
First American Bank #W003200	Fixed income mutual fund	653,341
	Stock	4,743,931
	Real estate investment trust	2,225,979
	US Treasury bond	
Charles Schwab #7807-1329	Stock	645,251
	Real estate investment trust	
Charles Schwab #1453-1100	Limited partnership funds	127,629
Held at WNMU Foundation	BP Amoco stock	11,495
<i>Component Unit Investments</i>		8,407,626

Note: The University has an undivided interest in the State of New Mexico Land Grant Permanent Fund. For further detail for the types of investments held in the Land Grant Permanent Fund, please refer to the separately issued June 30, 2017 financial statements of the State Investment Council.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

	Bank Balance					Total
	Bank of America (Watts) Silver City, NM	Bank of the Southwest T or C, NM	1st National Bank Centennial CO	Wells Fargo Silver City New Mexico	Moreton Capital Markets	
FUNDS ON DEPOSIT						
Demand deposits	\$101,136	\$0	\$55,283	\$6,747,994	\$2,027,254	\$8,931,667 *
Certificates of Deposit	0	0	0	0	0	0
LESS Money Market (U.S. Govt. Agency)	0	0	0	0	(2,027,254)	(2,027,254)
FDIC INSURANCE						
Demand deposits, time deposits	(101,136)	0	(55,283)	(250,000)	0	(406,419)
TOTAL UNINSURED PUBLIC FUNDS	\$0	\$0	\$0	\$6,497,994	\$0	\$6,497,994

* Does not include Cash Held By Others (New Mexico Finance Authority) with no collateral requirements
Debt Service Funds (restricted) Bank of NY
\$ 765,507

<i>AMOUNT SUBJECT TO 102% COLLATERAL</i>	\$0
<i>AMOUNT SUBJECT TO 50% COLLATERAL</i>	\$6,497,994
Fifty percent collateral requirement per Section 6-10-17 NMSA for above	\$3,248,996
One hundred two percent collateral requirements per Section 6-10-10 (H) NMSA	\$0
<i>AMOUNT OF COLLATERAL REQUIRED</i>	\$3,248,996

PLEGDED COLLATERAL

Safe- keeping Location	Type of Security				
Wells Fargo	FNMA	-	-	67,641	67,641
Wells Fargo	FNMA	-	-	4,834,236	4,834,236
Wells Fargo	FNMA	-	-	1,294,242	1,294,242
<i>Total Pledged Collateral</i>		-	-	6,196,119	6,196,119
<i>Deficit(excess) of pledged collateral over the required amount</i>		\$0	\$0	(\$2,947,123)	\$0 (\$2,947,123)

Note: As scheduled, the unlimited insurance coverage for noninterest-bearing transaction accounts provided under the Dodd-Frank Wall Street Reform and Consumer Protection Act expired on December 31, 2012. Deposits held in noninterest-bearing transaction accounts are now aggregated with any interest-bearing deposits the owner may hold in the same ownership category, and the combined total is insured up to at least \$250,000.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET POSITION LIABILITY
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*

	2018	2017	2016	2015
The University's proportion of the net pension liability (asset)	0.62%	0.60%	0.59%	0.63%
Proportionate share of the net pension liability (asset)	\$ 69,255,800	\$ 43,423,280	\$ 38,205,508	\$ 35,968,347
Covered-employee payroll	\$ 17,486,880	\$ 18,981,913	\$ 16,104,522	\$ 18,672,020
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	396.04%	228.76%	237.23%	192.63%
Plan fiduciary net position as a percentage of the total pension liability	-14.21%	37.30%	50.82%	36.10%

*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the University is not available prior to fiscal year 2015, the year the statement's requirements became effective.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
LAST 10 FISCAL YEARS*

Plan	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
<u>2018</u>					
State Employee	\$ 2,177,172	\$ 2,177,172	\$ -	\$ 15,662,603	13.9%
ARP	\$ 40,640	\$ 40,640	\$ -	\$ 1,354,676	3.0%
<u>2017</u>					
State Employee	\$ 2,356,262	\$ 2,356,262	\$ -	\$ 16,951,505	13.9%
ARP	\$ 48,019	\$ 48,019	\$ -	\$ 1,600,377	3.0%
<u>2016</u>					
State Employee	\$ 2,274,358	\$ 2,274,358	\$ -	\$ 16,362,285	13.9%
ARP	\$ 44,666	\$ 44,666	\$ -	\$ 1,488,892	3.0%
<u>2015</u>					
State Employee	\$ 2,243,923	\$ 2,243,923	\$ -	\$ 16,166,901	13.9%
ARP	\$ 45,209	\$ 45,209	\$ -	\$ 1,383,300	3.3%

*The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the University will present information for those years for which information is available.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1. CHANGES OF BENEFIT TERMS

The COLA and retirement eligibility benefits changes in recent years are described in the *Benefits Provided* subsection of the financial statement note disclosure NOTE 11.

EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN

NOTE 2. CHANGES OF ASSUMPTIONS

The Board of Trustees approved the following economic and demographic assumptions used in the fiscal year 2016 actuarial calculation of the total pension liability on December 6, 2016:

1. Wage inflation of 3.75%
2. Update the mortality tables to incorporate generational improvements
3. Update demographic assumptions to use currently published tables, which may result in minor calculation changes
4. Maintain in current 3.00% inflation assumption
5. Retain net 4.75% real return assumption
6. Retain 7.75% nominal return assumption
7. No change to COLA assumption of 2.00% per year
8. Maintain current payroll growth assumption of 3.50%
9. Maintain experience-based rates for members who joined NMERB by June 30, 2010
10. Remove population growth assumption for projections
11. Lower population growth from 0.50% to zero (no impact on valuation results)

See also the *Actuarial Assumptions* subsection of the financial statement note disclosure NOTE 11. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

		2018*
Employer's proportion of the net OPEB liability		0.439990%
Employer's proportionate share of the net OPEB liability	\$	19,938,908
Employer covered-employee payroll	\$	18,328,432
Employer's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		108.79%
Plan fiduciary net position as a percentage of the total OPEB liability		11.34%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Western New Mexico University will present information for available years.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF CONTRIBUTIONS
OPEB (RHCA) PLAN
LAST 10 FISCAL YEARS*

		2018*
Contractually required contribution	\$	1,397,175
Contributions in relation to the contractually required contribution		701,226
Contribution deficiency (excess)		695,949
Employer's covered-employee payroll	\$	18,328,432
Contributions as a percentage of covered-employee payroll		3.80%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Western New Mexico University will present information for available years.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Direct			
Student Financial Aid Cluster			
Pell Grant Program - Pell	84.063		\$5,186,042
College Work-Study Program - FWS	84.033		206,725
Supplemental Educational Opportunity Grants - SEOG	84.007		101,386
Student Direct Loans	84.268		16,016,713
TEACH Grant	84.379		28,670
<i>Total Student Financial Aid Cluster</i>			21,539,536
Pass-Through NM Department of Education			
Adult Basic Education-Basic Grants to States - ABE#2	84.002	V002A170032	76,816
Career and Technical Education-Basic Grants to States - Carl Perkins	84.048	V048A170031	246,491
Improving Teacher Quality State Grants	84.367	17-950-1200-00006	56,669
<i>Total Indirect U.S. Department of Education</i>			379,976
Total U.S. Department of Education			\$21,919,512
Research and Development Cluster			
National Science Foundation			
Direct National Science Foundation			
Computer and Information Science and Engineering - CyberInfrastructure	47.070		\$4,482
Biological Sciences - NSF-NM Spider Wasps	47.074		\$10,244
Biological Sciences - NSF - Endophyte	47.074		\$56,212
Education and Human Resources - NSF NOYCE Capacity Building	47.076		\$2,780
Biological Sciences - NSF-NM Digital Forensics	47.076		4,455
<i>Total Direct National Science Foundation</i>			\$78,173
Pass-Through (NSF)			
Education & Human Resources - NM AMP	47.076	HRD-1305011 01641Q	\$12,952
<i>Total Indirect National Science Foundation</i>			\$12,952
Total National Science Foundation			\$91,125
Total Research and Development Cluster			\$91,125
Department of Health and Human Services			
Pass-Through NM Department of Children, Youth and Families			
Foster Care Title IV-E - Title IV-E Social Work	93.658	18-690-14794	\$93,910
Biomedical Research and Research Training	93.859	5P20GM103451-17	49,398
Assistive Technology	93.464	18-645-900-002	22,838
Total Health and Human Services			\$166,146
US Department of the Interior			
Native American Graves Protection and Repatriation Act	15.922	NPS NAGPRA	\$2,913
Total Direct USDI			\$2,913
Other			
High Intensity Drug Trafficking Areas Program	95.001	2017-001	\$109,522
Program for the Arts - Partnership Agreements	45.025		\$5,000
Small Business Development Centers - Small Business Development	59.037	SBAHQ-17-B-0031	\$21,906
Total Federal Assistance			\$22,316,124

WESTERN NEW MEXICO UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards includes all federal assistance to the University that had activity during 2018 or accrued revenue at June 30, 2018. This schedule has been prepared on the accrual basis of accounting. Revenues are recorded for financial reporting purposes when the University has met the qualifications for the respective program.

NOTE 2. STUDENT FINANCIAL ASSISTANCE

The University administers the Perkins Loan Program. Total outstanding loans under this US Department of Education program at June 30, 2018, were \$657,380. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2018, were \$46,882. The schedule of Federal Expenditures of Federal Awards only includes an amount which represents administrative costs and additional advances, including the University's matching requirement expended for the year ended June 30, 2018.

During the fiscal year ended June 30, 2018, the University processed \$16,016,713 of new loans under the Direct Guaranteed Student Loan Program, in addition to Stafford Loans, Parents' Loans for Undergraduate Students, and Supplemental Loans for Students in the amount of \$383,970.

NOTE 3. INDIRECT COST RATE

The amount expended includes \$85,787 claimed as an indirect cost recovery using an approved indirect cost rate of percent. The University has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time, although the University expects such amounts, if any, to be immaterial.



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

Wayne Johnson
New Mexico Office of the State Auditor
Board of Regents
State of New Mexico Western New Mexico University
Silver City, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of the University as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University basic financial statements, and the related budgetary comparisons of the University, presented as supplemental information, and have issued our report thereon dated October 24, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses listed as 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-003 and 2018-004.

The University's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "M.P. Group, Inc." followed by a flourish.

October 24, 2018



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

Wayne Johnson
New Mexico Office of the State Auditor
Board of Regents
State of New Mexico Western New Mexico University
Silver City, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the Western New Mexico University's (the University) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2018. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items to be significant deficiencies as 2018-002.

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

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



October 24, 2018

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of Auditor’s Report issued:

Unmodified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X No

Noncompliance 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 that are not considered to be material weaknesses? X Yes No

Type of Auditor’s Report issued on compliance for major programs:

Unmodified

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

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.033, 84.007, 84.268, 84.379	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II – FINANCIAL FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2017-001 Early Childhood Development Center - Billings and Cash Receipts	Resolved
2017-002 Early Childhood Development Center-Cash Receipting	Resolved
2017-003 Early Childhood Development Center - Meal Reporting	Resolved
2017-004 Early Childhood Development Center - Counseling Billings	Resolved
2017-006 - Return of Title IV Funds (Significant Deficiency)	Modified and repeated
2017-007 Stale Dated Checks	Resolved

CURRENT STATUS ON PRIOR YEAR FINDINGS FOR FOUNDATION:

2017-005 – Prior Period Adjustment (Material Weakness)	Resolved
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CURRENT YEAR FINDINGS: UNIVERSITY

NONE

CURRENT YEAR FINDINGS: FOUNDATION

2018-001 – Financial Records (Material Weakness in internal control)

Condition

Several account balances at June 30, 2018 required adjustment. The beneficial interest in the perpetual trust identified in 2017 was not recorded. Changes to the perpetual trust in 2018 were also not recorded. The bank reconciliation process was performed but an audit adjustment was required to actually reconcile the general ledger to bank statement balance; with a negligible unlocated difference remaining. The balance of investments in the general ledger had to be adjusted to reflect the statement balance at year-end. An item meeting the Foundation's capitalization policy was improperly expensed and depreciation on capital assets was not recorded for 2018.

Criteria

Appropriate internal controls require timely reconciliation and review of all accounts in the general ledger. In addition to providing a more accurate financial picture, timely reconciliation and review also helps ensure adequate control over cash receipts and disbursements.

Cause

The Foundation experienced significant turnover in the accounting position during 2018.

Effect

Total assets and permanently restricted net position are understated on the financial statements at the beginning of the year. Distributions from the trust are improperly recorded as gifts rather than investment income and changes in the value of the trust are not recorded. In total, assets were understated by over \$900,000 in the general ledger. Net income increased by almost \$37,000 after the adjustments.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II – FINANCIAL FINDINGS

2018-001 – Financial Records (Material Weakness in internal control) continued

Recommendation

Require that all approved audit adjustments are recorded in the general ledger after the audit has been finalized. Perform timely reconciliations of all accounts and implement a review process to ensure all accounts are accurately stated.

Response

After significant turnover in the accounting position during 2017/2018, the Foundation now has the position filled with a committed full-time employee. The Accountant and Donor Relations Specialist has been a part of this current audit review process and is aware and actively involved in correcting financial recording errors. Throughout this process the executive director and accountant are working together to create a procedural checklist document to help alleviate errors of monthly accounting tasks that could happen in possible turnover transitions of the future. Policy and Procedures are being reviewed by the executive director and board committee to reflect gift accounting processes and reporting.

Corrections will be made immediately or before Oct. 31, 2018 by Accountant and Donor Relations Specialist, reviewed by Executive Director and Board Audit & Budget committee.

The checklist will be developed by the Accountant and Donor Relations Specialist together with the Executive Director with immediate implementation to be complete by Dec. 31, 2018. Monthly review by the Executive Director, and annual review by Board President and Board Audit & Budget committee.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION III – FEDERAL FINDINGS

Funding Agency: U.S. Department of Education
CFDA #: 84.063 and 84.268
Program: Student Financial Assistance Cluster
Pass Through Entity - N/A

2018-002 (Repeated & Modified as 2017- 006)- Return of Title IV Funds (Significant Deficiency in noncompliance)

Condition

During our test work of internal controls over the return of Title IV funds (R2T4), we noted the following instances of non-compliance in our sample of thirty-seven:

There were: Six times when the amount to be refunded was incorrect because institutional charges were miscalculated. Three instances where funds were not returned and the return was not filed. One occurrence of more funds returned than was required. Nine times when funds were not returned within 45 days. Only 14 of the 37 items in our sample required a return of funds. The net error in our sample totaled approximately \$3,500.

It is difficult to determine the precise error in the entire population due to the variables regarding the amount of the aid accepted, the date of each student's withdrawal, and the amount required to be returned. Since our sample represents approximately 13% of the population of students with Title IV fund returns, a simple extrapolation puts the potential error below the \$25,000 questioned cost parameter.

Criteria

The institution must refund a percentage of the lesser of the total amount of unearned Title IV assistance or an amount equal to the total institutional charges incurred by the student, as calculated. Institutional charges include tuition, fees, room and board, if the student contracts with the institution for room and board [34CFR section 668.22(g)]. The calculated balance is required to be refunded to the DOE within 45 days of the date of the student's withdrawal. [34 CFR section 668.22(j)(1)]

Cause

Returns were incorrectly calculated, and not reported and refunded as required.

Effect

The University was not in compliance with federal requirements for the return of Title IV funds; effectively underreporting the amount required to be refunded.

Recommendation

Review the procedures involving the calculation of R2T4 performed by the Student Financial Aid Office. The University should incorporate a more thorough review process for the R2T4 forms to ensure that the calculated amount of Title IV funds to be returned is correct and that the returns are processed timely.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION III – FEDERAL FINDINGS

Funding Agency: U.S. Department of Education

CFDA #: 84.063 and 84.268

Program: Student Financial Assistance Cluster

Pass Through Entity - N/A

2018-002 (Repeated & Modified as 2017- 006)- Return of Title IV Funds (Significant Deficiency in noncompliance)
(Continued)

Response

The lack of process manuals in the Office of Financial Aid lead to loss of knowledge during personnel turnover.

On October 15, 2018, the Office of Financial Aid begun preparation of a training manual and implemented a process to avoid future errors in regard to return of Title IV funds. The process includes producing an actual bill showing calculated charges for easier review, a spreadsheet to track each return through the full process, regular weekly schedule for processing returns, and using reports to find any missed student withdrawals not reported to Office of Financial Aid. The Loan Officer is responsible for this process, with immediate review of calculations by the Front Office Manager and Workstudy Counselor. The Director of Financial Aid is responsible for the full review of the process

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION IV – OTHER FINDINGS

2018-003 Travel & Per Diem, (Other Noncompliance)

Condition: During our test work of travel compliance we noted that out of our sample of 10 there was one purchase order was dated after the travel date.

- The request for the trip was created on 10/31/17 but was not approved until 11/16/17. The purchase order had the 11/16/17 on it, however the trip had already happened on 11/8/17 to 11/9/17.
- They were also allowed to receive a rental vehicle from Enterprise even though they did not have their supervisor's approval to go.

Criteria: Section 10-8-2 NMSA 1978 and Western New Mexico University's own travel policy states in Section 3 A that travel requires department supervisor approval before being submitted to the Purchasing Office.

Cause: Personnel allowed a purchase order to be dated after travel had already occurred. This allowed an employee to go on an unapproved trip before it was approved by their supervisor.

Effect: The school is not in compliance with their own travel policy about travel requires department supervisor approval before being submitted to the Purchasing Office. This caused an employee to travel without authorization and receive a rental car from Enterprise without proper supervisor approval.

Auditor's Recommendation: We recommend that personnel create a system to keep track of supervisor approvals so they do not allow travel prior to them being approved by the employee's supervisor. They can check if the employee received supervisor approval before allowing them to rent the car from Enterprise.

Managements Response:

The University will implement a review process for travel submitted, but not yet approved. On a weekly basis beginning October 26, 2018, the Director of Materials and Resource Management or designee will review all travel requests submitted by employees that have not yet received approval from supervisors. Such supervisors will be reminded via email to approve the submitted travel requests as well as the potential that any unapproved travel will be at the expense of the employee.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION IV – OTHER FINDINGS

2018-004 – Student Employment Contracts and Rate of Pay (Other Noncompliance)

Condition

During our test work of internal controls over the processing of Federal Work Study (FWS), we noted that the pay rate on two of the thirteen student’s work contracts we reviewed did not match the amount paid to the student for the pay period selected. This does not represent a violation of the compliance requirements governing the FWS program.

Criteria

The University should have proper policies and procedures in place to ensure that all employees, including student workers, are paid in accordance with their approved and agree-upon rate.

Cause

The agreed rate of pay noted in the student’s contract was not input to the payroll system. Having the wrong hourly rate in the payroll system caused the discrepancy when payroll was processed for the period.

Effect

One student was paid \$15 in excess of the contractually agreed amount and one student was underpaid by \$15.

Recommendation

Review the process for hiring students for the FWS program. Ensure that the advertised and agreed-upon rate reaches the human resources department timely to allow them to input the correct information to the payroll system.

Response

The university will review the process for hiring student workers to include those in the FWS program. A revised process will include reassigned responsibilities for the input of contract information into the payroll system from the Financial Aid Office to the Human Resources Office, a second review of this information by the Financial Aid Work Study Coordinator, and a report generated from the hiring system being compared to a report from the payroll system by the Director of Human Resources or designee and the Director of Financial Aid or designee. The review and redefinition of this process will take place immediately and be finalized and implemented no later than the beginning of the spring 2019 semester.

WESTERN NEW MEXICO UNIVERSITY
EXIT CONFERENCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

EXIT CONFERENCE:

The exit conference was held October 24, 2018 and was attended by the following:

From Western New Mexico University:

Dr. Joseph Shepard, President
Kelley Riddle, Vice President of Business Affairs
Cynthia Martinez, Assistant Vice President of Business and Finance
Cheryl Hain, Student Financial Aid Director
Janice Baca-Argabright, Regent, President (Teleconference)
Arlene Murillo, Regent, Secretary/Treasurer

From MP Group, Inc.:

Scott Peck, CPA (teleconference)
Michael L. Moore, CPA