

WESTERN NEW MEXICO UNIVERSITY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2008

WESTERN NEW MEXICO UNIVERSITY

TABLE OF CONTENTS JUNE 30, 2008

	<u>Page</u>
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS:	
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Net Assets	10
Statement of Cash Flows	12
NOTES TO FINANCIAL STATEMENTS	14
SUPPLEMENTARY INFORMATION	
Unrestricted and Restricted – All Operations	
Revenues, Expenditures, and Beginning and Ending Balances Budget Comparisons	31
Unrestricted – Non Instruction & General	
Revenues, Expenditures, and Beginning and Ending Balances Budget Comparisons	33
Restricted – Non Instruction & General	
Revenues, Expenditures, and Beginning and Ending Balances Budget Comparisons	34
Unrestricted – Instruction & General	
Revenues, Expenditures, and Beginning and Ending Balances Budget Comparisons	35
Restricted – Instruction & General	
Revenues, Expenditures, and Beginning and Ending Balances Budget Comparisons	36
Schedule of Individual Deposit and Investment Accounts	37
Schedule of Expenditures of Federal Awards	41
Notes to the Schedule of Expenditures of Federal Awards	42
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	43
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	45
Schedule of Findings and Questioned Costs	47
Exit Conference	53

WESTERN NEW MEXICO UNIVERSITY

OFFICIAL ROSTER
JUNE 30, 2008

BOARD OF REGENTS

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The Honorable Bill Richardson	Governor of the State of New Mexico
Dr. Reed Dasenbrock	Secretary for Higher Education Department

Appointed Members

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Noreen Scott	Vice President
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INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, State Auditor and
Board of Regents
Western New Mexico University
Silver City, New Mexico

We have audited the accompanying financial statements of the business-type activities of Western New Mexico University (University) and the discretely presented component unit of Western New Mexico Foundation, Inc. (Foundation) as of and for the year ended June 30, 2008, which collectively comprise the University's basic financial statements as listed in the table of contents. We have also audited the budget comparisons presented as supplementary information for the year ended June 30, 2008, as listed in the accompanying table of contents. These basic financial statements and budget comparisons are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the University are intended to present the financial position and changes in its financial position and cash flows, where applicable, of only that portion of the financial reporting entity of the business-type activities information of the State of New Mexico that is attributable to the transactions of the University. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements of the University referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the University and the discretely presented component unit as of June 30, 2008, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparisons referred to above present fairly, in all material respects the budgetary comparisons for the year then ended in conformity with budgetary basis of accounting prescribed by the New Mexico Administrative Code, and more fully described in the budgetary comparisons, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Mr. Hector H. Balderas, State Auditor and
Board of Regents
Western New Mexico University
Silver City, New Mexico
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2008, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements and the budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Individual Deposit Accounts is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and the Schedule of Individual Deposit Accounts have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Kriegel/Gray/Shaw & Co., P.C.

November 12, 2008

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Overview of the Financial Statements and Financial Analysis

Western New Mexico University is proud to present its financial statements for fiscal year 2008. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; 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 Assets

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

From the data presented, readers of the Statement of Net Assets 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 Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution.

Net assets are divided into three major categories. The first category, invested in capital assets, is net of debt. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. Expendable restricted net assets are 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. The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution.

	June 30		Variance
	2007	2008	
Assets			
Current assets	\$11,933,661	\$16,139,464	\$4,205,803
Noncurrent assets	4,072,343	4,703,716	631,373
Capital assets, net of depreciation	24,907,025	23,774,749	(1,132,276)
Total Assets	\$40,913,029	\$44,617,929	\$3,704,900
Liabilities			
Current liabilities	\$3,185,863	\$4,502,968	\$1,317,105
Noncurrent liabilities	5,673,966	5,184,548	(489,418)
Total Liabilities	\$8,859,829	\$9,687,516	\$827,687
Net Assets			
Invested in capital assets, Net of debt	\$19,685,743	\$18,930,760	(\$754,983)
Restricted – nonexpendable	5,014,731	5,438,745	424,014
Restricted – expendable	6,123,233	8,406,195	2,282,962
Unrestricted	1,229,493	2,154,713	925,220
Total Net Assets	\$32,053,200	\$34,930,413	\$2,877,213

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Total net assets of the institution increased \$2,877,213. A review of the Statement of Net Assets will reveal that the increase was primarily in the area of expendable restricted net assets. This increase was specifically attributable to WNMU's allocation from a \$41 million building renewal and replacement supplemental appropriation from HED in the amount of \$1.4 million. In addition, nonexpendable restricted net assets increased approximately \$0.7 million from matching funds received from the Higher Education Endowment Fund; this increase, however, was somewhat offset by \$0.3 million after an adjustment to market value for endowed securities. The overall increase of net assets 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.

Total liabilities for the year increased \$827,687. The primary cause was due to an increase in Deferred Revenues resulting from an increased number of pre-registrations for the upcoming fall semester.

Statement of Revenues, Expenses and Changes in Net Assets

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

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid 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.

	June 30		
	2007	2008	Variance
Operating Revenues			
Tuition and fees	\$3,555,274	\$3,567,259	\$11,985
Federal grants and contracts	4,963,305	5,061,339	98,034
State and local grants and contracts	2,089,622	2,036,640	(52,982)
Sales and services auxiliary enterprises	1,842,287	2,235,139	392,852
Other	1,309,497	2,324,385	1,014,888
<i>Total Operating Revenue</i>	<u>13,759,985</u>	<u>15,224,762</u>	<u>1,464,777</u>
Expenses			
Instruction and general	23,388,115	24,269,710	881,595
Public service	2,004,676	1,829,820	(174,856)
Student aid grants and stipends	1,524,456	1,543,000	18,544
Auxiliary enterprises	1,111,410	1,233,405	121,995
Athletics	2,008,713	2,325,226	316,513
Other expenditures	1,017,834	2,513,604	1,495,770
Depreciation	2,418,508	2,197,764	(220,744)
<i>Total Expenses</i>	<u>33,473,712</u>	<u>35,912,529</u>	<u>2,438,817</u>
<i>Operating loss</i>	(19,713,727)	(20,687,767)	(974,040)
Nonoperating revenues (expenses)			
State appropriations/special appropriations and other nonoperating revenue	19,979,723	22,761,689	2,781,966
Gain/(Loss) before other revenues and expenses	265,996	2,073,922	1,807,926
Other revenues/(expenses)	2,231,293	803,291	(1,428,002)
<i>Net Increase in Net Assets</i>	<u>\$2,497,289</u>	<u>\$2,877,213</u>	<u>\$379,924</u>

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

The Statement of Revenues, Expenses and Changes in Net Assets reflect a positive year with an increase in net assets at the end of the year of \$2,877,213. Nonoperating revenue increased by \$2,781,966 due to increased state appropriations inclusive of funding for building renewal and replacement and athletics and nursing programs. Operating revenue increased by \$1,464,777 primarily from an increase in other operating revenue from (1) increased revenues of \$0.7 million after securing matching funds from the Higher Education Endowment Fund, and (2) insurance proceeds of \$0.3 million. In addition, sales and services increased from child care programs, from student housing, and from the cafeteria as a result of slightly higher enrollment. Higher operating expenses in the amount of \$2,438,817 did somewhat offset the increase in net assets. Instruction and general expenses increased primarily from (1) higher instruction costs resulting from growth in criminal justice, offsite campuses, online, applied tech, nursing, and occupational health programs, and (2) higher operations and maintenance costs resulting from increased insurance and utility costs.

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-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 Assets.

	June 30		Variance
	2007	2008	
Net cash used by operating activities	(\$19,025,850)	(\$17,852,340)	\$1,173,510
Net cash provided by noncapital financing activities	19,625,183	22,391,628	2,766,445
Net cash provided by investing activities	354,540	(632,416)	(986,956)
Net cash used by capital and related financing	(505,110)	(201,612)	303,498
Net increase (decrease) in cash and cash equivalents	448,763	3,705,260	3,256,497
Cash at beginning of year	4,623,118	5,071,881	448,763
Cash at end of year	\$5,071,881	\$8,777,141	\$3,705,260

Capital Asset and Debt Administration

The University had minimal capital asset additions for facilities in the current fiscal year. Renovations for the museum, the MECHA (Movimiento Estudiantil Chicano Aztlan) building, and Ritch Hall dormitory were completed. Outstanding debt used for previous construction was reduced to a principal amount of \$4,720,000 and the corresponding rating from Moody's was Aaa.

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Budget/Actual Variances

The original unrestricted non-I&G revenue budget was revised to reflect an increase in other sources to allow for reimbursement for plant construction, use of insurance proceeds, and increased tech fees. The revised budget also reflected an increase in sales and services in Public Service to allow for fees collected primarily for the NM Economic Development Course. Expenses were also revised to allow for the plant construction; however, both revenues and expenses were significantly under the final budget by \$4,970,510 and \$8,608,485, respectively, due to the deferral of a major construction project, the Juan Chacon Renovation, and building repairs. The original unrestricted non-I&G transfer budget was revised to allow the University to utilize plant funds; however, plant funds were actually increased due to decreased expenditures. Unrestricted I&G fund revenues were marginally higher than the final budget. Expenditures, however, were \$1,203,688 lower than the final budget primarily due to (1) lower instruction costs resulting from decreased sur schedules costs and (2) decreased labor costs in the operations and maintenance area from the inability to hire manpower.

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 due to a decrease in student aid expenditures as a result of less aid awarded than anticipated. In addition, public service expenditures were lower in the current year as funding was received mid-year.

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 provide uncertainty regarding future enrollment. Freeport-McMoran (previously Phelps Dodge) has recently taken measures to reduce cost which will have an impact on local employment. A substantial portion (66%) of our student body, both traditional and non-traditional students are from the local southwest region of the state. Headcount enrollment is increasing in both undergraduate and graduate levels. However, overall student credit hours generated are slightly lower than this time last year. We continue to focus our efforts on enhancing recruiting efforts in the northern part of the state, as well as Arizona and Texas. We have experienced growth in on-line course offerings, and we are continuing to expand our efforts in this area as well as offering more graduate programs, both on-line and face-to-face. Based on economic conditions within the state, it is possible funding could decrease in fiscal year 2010 as a result of funding not being available at the state level as well as possible reductions in state appropriations for fiscal year 2009.

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Primary Government	Component Unit
ASSETS		
Current Assets		
Cash and cash equivalents	\$8,056,173	\$415,217
Cash endowments	720,968	0
Cash restricted for other organizations	0	175,156
Accounts receivable, net of \$55,335 and \$8,488 allowance	148,376	60
Contract and grant receivables, net of \$159,413 allowance	1,217,730	0
Student receivables, net of \$1,585,993 allowance	1,434,132	0
Capital grant receivables	144,245	0
Due from Foundation	76,084	0
Certificates of deposit	0	0
Investments	4,021,237	0
Inventories	3,616	0
Prepaid assets	316,903	0
<i>Total current assets</i>	16,139,464	590,433
Noncurrent Assets		
Endowment investment	4,703,716	5,107,168
Capital assets, net of accumulated depreciation	23,774,749	237,912
<i>Total noncurrent assets</i>	28,478,465	5,345,080
<i>Total assets</i>	\$44,617,929	\$5,935,513
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Payables and accrued liabilities	\$2,264,569	\$0
Accrued compensated absences	71,077	0
Accrued incentive retirement payable	262,968	0
Deferred revenue	1,344,043	0
Bonds payable - current portion	392,293	0
Due to Western New Mexico University	0	76,084
Deposits held for others	168,018	175,156
<i>Total current liabilities</i>	4,502,968	251,240
Noncurrent Liabilities		
Accrued compensated absences	347,021	0
Accrued incentive retirement payable	385,831	0
Bonds payable - long-term portion	4,451,696	0
<i>Total noncurrent liabilities</i>	5,184,548	0
<i>Total liabilities</i>	9,687,516	251,240

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

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Primary Government	Component Unit
Net Assets		
Invested in capital assets, net of related debt	18,930,760	0
Restricted for		
Nonexpendable		
Restricted (endowment fund balances)	5,438,745	4,822,452
Expendable		
Scholarships, research, instruction and other loans	440,797	752,319
Capital projects	7,430,002	0
Debt service	535,396	0
Unrestricted	2,154,713	109,502
<i>Total net assets</i>	<u>34,930,413</u>	<u>5,684,273</u>
<i>Total liabilities and net assets</i>	<u>\$44,617,929</u>	<u>\$5,935,513</u>

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

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND

CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2008

	Primary Government	Component Unit
Operating Revenues		
Tuition and fees	\$6,964,094	\$0
Tuition discounts and allowances	(3,396,835)	0
	3,567,259	0
Federal grants and contracts	5,061,339	0
State and local grants and contracts	2,036,640	0
Private local grants and contracts	69,345	0
State land and permanent fund and investment income	909,239	(262,956)
Sales and services of auxiliary enterprises	2,235,139	0
Contributions	0	672,150
Other	1,345,801	0
<i>Total operating revenues</i>	15,224,762	409,194
Operating Expenses		
Instruction and general		
Instruction	14,399,808	0
Academic support	1,489,186	0
Student services	2,056,183	0
Institutional support	3,599,931	0
Operations and maintenance support	2,724,602	0
	24,269,710	0
Public service	1,829,820	0
Student aid grants and stipends	4,939,835	0
Tuition discounts and allowances	(3,396,835)	0
Auxiliary enterprises	1,233,405	0
Athletics	2,325,226	0
Other expenditures	2,513,604	0
Awards and grants to individuals	0	327,521
Grants to other organizations	0	0
Operating expenses	0	152,391
Depreciation	2,197,764	11,774
<i>Total expenses</i>	35,912,529	491,686
<i>Operating (loss) income</i>	(20,687,767)	(82,492)

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

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND

CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2008

	Primary Government	Component Unit
Non-operating revenues (expenses)		
State appropriations - formula	22,391,628	0
Interest and investment income	370,061	0
<i>Net non-operating revenues</i>	22,761,689	0
<i>(Loss) income before other revenues, expenses, gains and losses</i>	2,073,922	(82,492)
Other		
Capital appropriations	805,038	0
Capital grants and gifts, net	0	0
Gain/(Loss) on asset disposition	(1,747)	0
<i>Net other revenues/(expenses)</i>	803,291	0
<i>Increase in net assets</i>	2,877,213	(82,492)
Net assets		
Net assets - beginning of year	32,053,200	5,766,765
<i>Net assets, end of year</i>	\$34,930,413	\$5,684,273

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

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2008

	Primary Government	Component Unit
Cash Flows From Operating Activities		
Adjustment to reconcile increase in net assets to net cash provided by operating activities		
Tuition and fees	\$7,425,767	\$0
Grants and contracts	7,664,693	0
Sales and services of educational activities	2,468,477	0
Other operating receipts	2,243,124	628,440
Payments to employees for salaries and benefits	(21,871,981)	(54,983)
Payments to suppliers	(10,280,672)	(15,503)
Loans grants issued to students and employees	(5,501,748)	(327,521)
<i>Net cash (used) provided by operating activities</i>	(17,852,340)	230,433
Cash Flows From Noncapital Financing Activities		
State appropriations	22,391,628	0
Cash Flows From Investing Activities		
Purchase of investments	7,604,000	(4,948,278)
Interest received on investments	370,061	0
Sale of investments	(8,606,477)	4,536,764
<i>Net cash provided by investing activities</i>	(632,416)	(411,514)
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(1,067,236)	0
Disposition of capital assets	288,564	0
Loss on asset dispositions	0	0
Capital appropriations received	947,060	0
Repayments of capital debt	(370,000)	0
<i>Net cash used by capital and related financing activities</i>	(201,612)	0
<i>Net (decrease) increase in cash and cash equivalents</i>	3,705,260	(181,081)
Cash and cash equivalents, beginning of year	5,071,881	596,298
<i>Cash and cash equivalents, end of year</i>	<i>\$8,777,141</i>	<i>\$415,217</i>

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

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2008

	Primary Government	Component Unit
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating (loss) income	(\$20,687,767)	(\$82,492)
Adjustments to reconcile operating (loss) income to net cash used by operating activities		
Depreciation expense	2,197,764	11,774
Amortization expense	(7,293)	0
Loss on asset disposition	(1,747)	0
Provision for uncollectible accounts	0	(866)
Reversal of depreciation on non-depreciable assets	0	0
Unrealized (gain)/loss on investments	0	346,185
Changes in assets and liabilities		
Receivables	345,455	805
Short-term investments	0	0
Inventories	8,156	0
Other assets	(968,578)	0
Accounts payable and accrued expenses	405,368	0
Due to Western New Mexico University	0	1,762
Deposits held for others	0	0
Grants and awards payable	0	(46,735)
Deferred revenue	940,713	0
Incentive Retirement Payable	(124,721)	0
Compensated absences	40,310	0
<i>Net cash used by operating activities</i>	<i>(\$17,852,340)</i>	<i>\$230,433</i>

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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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 in keeping with the further broadening of the scope and mission of the institution.

The mission of Western New Mexico University is to provide quality, affordable and accessible educational opportunities to the people of New Mexico. 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 fall of 2007, Western New Mexico University's student enrollment was 2,727 (including its off-campus educational centers) taught by 97 faculty members. The campus has expanded to 47 buildings on 230 acres. Over half (65%) of Western'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 Western's students come from other countries including Mexico, Canada, Nigeria, Ecuador, Brazil, Australia, Kenya, New Zealand, Fiji Islands, South Africa, Portugal, and the United Kingdom. Students range in age from late teens to senior citizens. Western students are 65% female, 35% male and have been recognized as strength for the bilingual and multi-cultural population of the region. The four largest ethnic groups are Hispanic (42%), Anglo (41%), African American (3.3%), and Native American (3.2%).

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

The New Mexico State Auditor has determined the University is included as part of primary government of the State of New Mexico.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 been eliminated. Grants are recognized when all eligibility requirements are met.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Reporting Entity. In May 2002, Governmental Accounting Standards Board issued Statement No 39. The statement established standards for identifying a component unit through evaluation of the reporting entity and significance of certain related party transactions, defined as potential component units. 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, Inc. (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 separate financial statements of the Foundation can be obtained from Vance Redfern, Executive Director at the Western New Mexico Foundation, Inc., P.O. Box 680, Silver City, New Mexico 88062.

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) in formulating its budgets and in exercising budgetary control. It is through the HED's policy that, when the appropriation has been made to the University, its Board of Regents can, in general, adopt an operating budget within the limits of available income.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Procedures for Approval of Operating Budgets

1. The University will then submit an original typed copy that has been 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.

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.

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

Investments are made in accordance with the Constitution of the State of New Mexico and the policies of the Board of Regents.

Inventories. Inventories of supplies and materials held for sale or use are stated substantially at the lower of cost (first-in, first-out) or market value.

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 net balance of accounts receivable is expected to be collected within one year of the date of the financial statements (none are considered long-term).

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue. Revenue for each academic session is reported within the fiscal year during which the session's refund period ends. Revenues for the summer session starting in May 2008 are shown as income in the accompanying financial statements if the sessions refund period ends prior to June 30, 2008. If summer courses' refund period is not over as of June 30, 2008, then courses are reported in next fiscal year. After refund period has expired, tuition is considered as earned and recognized as revenue. Deferred 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 assets.

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 \$1,000 or more, and an estimated useful life of greater than one year for items purchased prior to July 1, 2005. Effective July 1, 2005, the capitalization policy threshold was increased to \$5,000. 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 has capitalized certain assets considered to be historical treasures and works of art; however, they are not depreciable as a result of this classification. The items were recorded at fair market value at date of donation or acquisition and consist of pottery, paintings, LP records, and books.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 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.

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. At June 30, 2008, the accrued vacation pay amounted to \$418,098. This amount does not exceed a normal year's accumulation.

Compensated Absences. The University accounts for the accumulated vacation leave on the accrual basis in accordance with GASB 16. All permanent employees hired prior to August 1, 1992, accumulate vacation time as a full-time employee at the rate of 12 hours (1 1/2 days) per month. Part-time employees are prorated proportionately. Full-time employees hired after August 1, 1992, accumulate vacation time at the rate of 8 hours per month effective on their date of hire. Part-time employees are prorated proportionately. Employees may accumulate up to a maximum of 160 hours (4 weeks) vacation time during their period of employment. Accumulated unpaid vacation is accrued when incurred in the current unrestricted fund.

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.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets. The University's net assets are classified as follows:

Invested in Capital Assets - Net of Related Debt. 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.

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

Restricted Net Assets - Expendable. Expendable restricted net assets are resources that the University is legally or contractually obligated to spend in accordance with imposed restrictions by third parties.

Unrestricted Net Assets. Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the 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.

Non-operating Revenues. Non-operating revenues include activities that have the characteristics of nonexchange 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 Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

Presentation. Certain classifications of prior year information have been made to conform to current year presentation.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2. CASH AND INVESTMENTS

Cash. The University's deposits are in demand and time deposit accounts at local financial institutions. The University requires a minimum of 50 percent collateralization of all uninsured funds deposited with a financial institution, 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, 2008.

Investments. The Vice President for Business and Finance and the Comptroller are 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 within the guidelines of the University's investment policy, 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 of U.S. Government notes and FDIC insured certificates of deposit at June 30, 2008.

Investments of \$8,724,952 for the University and \$5,107,168 for the Foundation at June 30, 2008 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.

Endowment funds for the University increased \$707,600 from the receipt of matching funds from the Higher Education Endowment Fund. The University's endowment securities had a write-down to market value at year-end in the amount of \$314,114. 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 Foundation endowment securities also had a write-down of \$2,617,756 at year-end to reflect market value. 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. For endowment assets, 10% of the investment income is allocated to the corpus, 20% is allocated to the Foundation for coverage of operational expenses, and the remaining 70% is allocated to scholarships.

The endowment investments are recorded as non-current assets in the Statement of Net Assets.

At June 30, 2008, the investments of the University and its component unit consisted of the following.

Primary Institution	<u>Fair Value</u>
U.S. Government backed notes	\$ 1,539,344
Certificates of Deposit	3,427,379
Endowment Securities:	
Equity securities	755,976
Investment held by others*	<u>3,002,253</u>
Total investments	<u>\$ 8,724,952</u>

*This amount represents the University's undivided interest in the State of New Mexico Land Grant Permanent Fund held by the New Mexico State Investment Council. In accordance with State Statutes, the Land Grant Permanent Fund is held by the State of New Mexico for the benefit of the University.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Component Unit

Endowment Securities:

U.S. Government and Agency Securities

Federal Home Loan Mortgage \$ 0

U.S. Treasury Note 18,802

Federal National Mortgage Association 0

Total U.S. Government and Agency Securities 18,802

Equity securities 3,217,287

Certificates of deposit 60,679

Bond Mutual Funds 1,810,400

Total investments \$ 5,107,168

Collateralization of Deposits. At June 30, 2008 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:

	<u>Primary Institution</u>	<u>Component Unit</u>
Amount insured by the Federal Deposit Insurance Corporation	\$154,598	\$190,534
Amount insured by the Securities Investor Protection Corporation	0	383,569
Amount collateralized with securities held in the University's name by their agent	8,279,996	0
Uncollateralized	<u>422,743</u>	<u>30,148</u>
Total Cash and Time Deposit Bank Balances	8,857,337	604,251
Other reconciling items on deposit accounts	(80,196)	(13,878)
Total reported cash balance	<u>\$8,777,141</u>	<u>\$590,373</u>

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, 2008, one of the University's bank balances of \$422,743 was uncollateralized. The pledging bank's trust department in the University's name held all collateralized deposits.

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. The investment of non-discretionary funds reflects 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.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

A summary of the investments and its respective maturities at June 30, 2008 and its exposure to interest rate risk:

Primary Institution:

Long-Term Investments	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Greater Than 10 Years</u>
Primary Institution					
Items not subject to					
Interest rate risk: Equity					
Securities and Investments					
Held by Others	\$3,758,229				
Certificates of Deposit	3,427,379	\$2,241,773	\$1,185,606	\$0	\$0
Freddie Mac Discount					
Notes	1,038,874	0	1,038,874	0	0
Federal Home Loan					
Note	<u>500,470</u>	<u>0</u>	<u>500,470</u>	<u>0</u>	<u>0</u>
Total long-term					
Investments	<u>\$ 8,724,952</u>	<u>\$2,241,773</u>	<u>\$2,724,950</u>	<u>\$0</u>	<u>\$0</u>

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 are purchased in \$100,000 denominations at 25 separate financial institutions and are fully insured by FDIC. The remaining certificates of deposits are at one institution with applicable FDIC insurance.

Component Unit:

Long-Term Investments	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Greater Than 10 Years</u>
Component Unit					
Items not subject to					
Interest rate risk: Equity					
Securities and Bond					
Mutual Funds	\$5,027,687				
U.S. Government					
Agency oblig.	18,802	\$0	\$18,802	\$0	\$0
Certificates of Deposit	60,679	0	0	0	60,679
Items subject to interest					
Rate risk	<u>79,481</u>	<u>\$0</u>	<u>18,802</u>	<u>0</u>	<u>60,679</u>
Total long-term					
Investments	<u>\$ 5,107,168</u>				

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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 investments in mutual funds were unrated by Moody's or Standard and Poor's. The University's investment in 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. 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. The University holds no investments with any issuer that represents 5% or more of total investments.

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, 2008, \$30,148 of the component unit's bank balance of \$590,373 was uninsured and uncollateralized. There are no collateralized deposits required.

Custodial Credit Risk-Endowment Investments. Certificates of deposit are the only investment the University has for its endowments. 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, 2008, the University's endowment certificate of deposit balances were \$945,486. FDIC insurance was in place for \$100,000 with the remaining balance of \$422,743 uncollateralized.

Of the investment in corporate stocks and bonds, the University had no custodial credit risk exposure at June 30, 2008.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3. CAPITAL ASSETS

Following are the changes in capital assets for the years ended June 30:

	Balance June 30, <u>2007</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	Balance June 30, <u>2008</u>
Capital assets not being depreciated					
Land	\$ 904,080	\$0	\$0	\$0	\$904,080
Buildings in process	378,003	161,461	(363,118)	0	176,346
Total capital assets not Being depreciated	<u>\$ 1,282,083</u>	<u>\$161,461</u>	<u>(\$363,118)</u>	<u>\$0</u>	<u>\$1,080,426</u>
Other capital assets					
Land improvements	\$ 2,690,701	\$0	\$ 0	\$ 0	\$2,690,701
Buildings	56,837,717	260,632	363,118	0	57,461,467
Equipment	9,362,923	345,538	0	(288,564)	9,419,897
Library materials	10,462,975	299,605	0	0	10,762,580
Total other capital Assets	<u>79,354,316</u>	<u>905,775</u>	<u>363,118</u>	<u>(288,564)</u>	<u>80,334,645</u>
Accumulated depreciation for					
Land improvements	2,143,181	47,228	0	0	2,190,409
Buildings	36,800,474	1,232,032	0	0	38,032,506
Equipment	7,909,917	580,076	0	286,817	8,203,176
Library materials	8,875,803	338,428	0	0	9,214,231
Total accumulated Depreciation	<u>55,729,375</u>	<u>2,197,764</u>	<u>0</u>	<u>286,817</u>	<u>57,640,322</u>
Other capital assets, Net	<u>\$23,624,942</u>	<u>(\$1,291,989)</u>	<u>\$363,118</u>	<u>(\$1,747)</u>	<u>\$22,694,323</u>
Capital assets summary					
Capital assets not being Depreciated	\$ 1,282,084	\$161,461	(\$363,118)	\$0	\$1,080,426
Other capital assets, at cost	79,354,316	905,775	363,118	(288,564)	80,334,645
Total cost of capital assets	80,636,400	1,067,236	0	(288,564)	81,415,071
Accumulated depreciation	(55,729,375)	(2,197,764)	0	286,817	(57,640,322)
Capital assets, net	<u>\$24,907,025</u>	<u>(\$1,130,528)</u>	<u>0</u>	<u>(\$1,747)</u>	<u>\$23,774,749</u>

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4. LONG-TERM LIABILITIES

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>	<u>Amount Due</u> <u>in One Year</u>
Bonds, notes payable					
Bond payable	\$ 5,090,000	\$0	(\$370,000)	\$4,720,000	\$385,000
Bond premium	131,282	0	(7,294)	123,988	7,293
Accrued compensated absences	<u>377,788</u>	<u>295,789</u>	<u>(255,479)</u>	<u>418,098</u>	<u>71,077</u>
Total	<u>\$ 5,599,070</u>	<u>\$295,789</u>	<u>(\$632,773)</u>	<u>\$5,262,086</u>	<u>\$463,370</u>

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

NOTE 5. REVENUE BONDS

Revenue bonds payable consisted of the following:

Description	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>June 30</u>
System Refunding and Improvement Revenue Bonds, Series 2005, Due June 15, 2019	3.25%-5.00%	\$ 4,720,000
Bond premium		<u>123,988</u>
		<u>\$4,843,988</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	385,000	196,613	581,613
2010	395,000	183,138	578,138
2011	410,000	169,312	579,312
2012	425,000	153,937	578,937
2013	440,000	138,000	578,000
2014-2018	2,355,000	353,600	2,708,600
2019	<u>310,000</u>	<u>12,400</u>	<u>322,400</u>
Totals	<u>\$ 4,720,000</u>	<u>\$1,207,000</u>	<u>\$5,927,000</u>

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, 2008, was \$208,953 and is recorded in other expenditures.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6. 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, 2008 was \$106,351, which has been charged to expenditures.

Retirement Plan. 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 and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to: ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy. Plan members are required to contribute 7.825% of their gross salary. The University is required to contribute 10.9% of their gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011, when the employer contribution will be 13.9%. 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, 2008, 2007 and 2006, were \$1,407,950, \$1,234,461 and \$1,089,817, 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, 2008, 2007 and 2006 were \$7,465, \$6,688 and \$4,739, respectively.

When employing retired PERA members, Western New Mexico University must remit 10.9% of applicable wages to ERB. Western New Mexico University's contributions for PERA retirees for fiscal year ending June 30, 2008 were \$943.

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 the 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 NM, Suite 104, Albuquerque, NM 87107.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6. EMPLOYEE BENEFITS (CONTINUED)

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.

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. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The University's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$193,008, \$183,692 and \$176,556, 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, 2008, 2007 and 2006 were \$1,335, \$1,273 and \$655, respectively.

Incentive Retirement Policy. As of June 30, 2008, 31 faculty members have entered into the incentive retirement plan. At June 30, 2008, the incentive retirement payable is \$648,799 of which \$262,968 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 WNMU.
 - A. 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, 2008

NOTE 6. EMPLOYEE BENEFITS (CONTINUED)

B. 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 that has reached age 70 on or before July 1 of the year preceding the request.

C. 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.

Retention Bonus. If the President remains in the position of President of Western New Mexico University throughout the full term of his employment agreement, which terminates on June 30, 2010, the University shall pay the President a retention bonus in an amount equal to the most recent annual salary of the President, in equal monthly installments over a period of twelve months beginning July 1, 2010 and ending June 30, 2011. If the President does not remain in the position of President for the entire term of his presidency, which terminates on June 30, 2010, he shall not have the right to any portion of the retention bonus.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 7. 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, 2008 was \$363,376.

Future minimum rental payments required under operating leases is as follows for the years subsequent to June 30, 2008:

2009	356,073
2010	330,980
2011	305,842
2012	246,308
2013	194,477
Thereafter	<u>0</u>
	<u>\$ 1,433,680</u>

Construction obligations of \$301,960 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 years ended June 30, 2008 and 2007 are pending audits 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.

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

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.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8. JOINT POWERS AGREEMENTS

- (1) Western New Mexico University, the Grant County Economic Development Coalition for Progress, and the New Mexico Economic Development Department entered into a joint powers agreement to provide economic development initiatives and create jobs in Grant County, effective December 2, 2003, and terminating June 30, 2008. The purpose of the agreement is to conduct studies relevant to job creation, recruitment of outside businesses to relocate to Grant County, and conduct other programs with the specific design and purpose to increase the likelihood of attracting, retaining, or expanding job opportunities with Grant County. The agreement continues in force until rescinded or terminated by either party. WNMU acts as fiscal agent, reporting revenues and expenses, and accepting audit responsibility. The amount of the agreement is \$250,000 of which \$53,292 was applicable to Western New Mexico University for the 2007-2008 Fiscal Year.
- (2) Western New Mexico University and the New Mexico Children Youth and Families Department entered into a joint powers agreement to increase the number of Social Work graduates in the State of New Mexico, effective July 1, 2006, and terminating June 30, 2008. The purpose of the agreement is to prepare and qualify students to work for the CYFD/PSD Child Welfare Program upon graduation, and provide CYFD/PSD employees with skill-based training that improves client outcome. The agreement continues in force until rescinded or terminated by either party. WNMU acts as fiscal agent, reporting revenues and expenses, and accepting audit responsibility. The amount of the agreement is \$303,121; \$150,289 was applicable to Western New Mexico University for the 2007-2008 Fiscal Year. Western New Mexico University contributed funds to the project totaling \$152,832.
- (3) Western New Mexico University and the New Mexico State Transportation Department entered into a joint powers agreement to conduct a four-day school bus inspector certification program, effective June 13, 2003, and termination is to be determined. The purpose of the agreement is to certify school bus inspectors as determined by the department director, and WNMU is to disperse stipends and per diem reimbursements to individuals who complete the certification. The agreement continues in force until rescinded or terminated by either party. WNMU acts as fiscal agent, reporting revenues and expenses, and accepting audit responsibility. The amount of the agreement is \$35,000; no funds were applicable to Western New Mexico University for the 2007-2008 Fiscal Year.

NOTE 9. PAYABLES AND ACCRUED LIABILITIES

Payables and accrued liabilities consist of the following at June 30, 2008:

Trade payables	\$ 930,586
Accrued payroll	525,849
Accrued payroll taxes, insurance, and Retirement benefits	682,365
Other accrued liabilities	<u>125,769</u>
	<u>\$ 2,264,569</u>

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 10. RESTRICTED NET ASSETS – ENABLING LEGISLATION

A portion of the University's June 30, 2008 restricted net assets are restricted due to enabling legislation for House Bills for Capital Projects as follows:

<u>Description</u>	<u>Legislated Amount</u>	<u>Unexpended Portion</u>
Infrastructure HB885	\$ 500,000	\$ 204,438
Housing Equipment	50,000	54,299
IT Equipment	150,000	3,978
Stadium Lighting	50,000	54,079
Stadium Lighting (Tennis)	50,000	53,708
Athletic Facility Improvement	100,000	23,043
Fox Athletic Complex	100,000	88,813
Gallup IT	30,000	1,481
Museum Phase III	50,000	23,926
Eckles Hall Dorm Renovation	90,000	84
Information Technology	24,000	24,022
Student Memorial Renovation	30,000	24,750
MECHA Improvements	123,750	2,830
	<u>\$ 1,347,750</u>	<u>\$ 559,451</u>

SUPPLEMENTARY INFORMATION

WESTERN NEW MEXICO UNIVERSITY
UNRESTRICTED AND RESTRICTED - ALL OPERATIONS
REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$3,963,706	\$7,646,605	\$7,646,605	\$0
Revenues				
State general fund appropriations	22,059,686	22,391,628	22,391,628	0
Federal revenue sources	3,989,922	5,426,307	5,063,928	(362,379)
Tuition and fees	6,118,648	6,129,156	6,293,388	164,232
Land and permanent fund	158,000	145,954	201,639	55,685
Endowments and private gifts	0	1,000	1,000	0
Other	10,270,609	12,924,712	7,480,428	(5,444,284)
<i>Total revenues</i>	42,596,865	47,018,757	41,432,011	(5,586,746)
Expenditures				
Instruction	13,758,161	15,492,572	14,526,234	966,338
Academic support	1,503,341	1,608,543	1,489,342	119,201
Student services	2,030,514	2,107,332	2,056,012	51,320
Institutional support	3,516,232	3,572,464	3,600,231	(27,767)
Oper. & maint. of plant	2,955,147	3,009,497	2,724,641	284,856
Research	0	56,704	58,314	(1,610)
Public service	381,187	2,089,156	1,830,036	259,120
Auxiliary enterprises	1,171,018	1,302,221	1,233,444	68,777
Intercollegiate athletics	2,338,881	2,577,135	2,324,011	253,124
Capital outlay	5,850,000	6,998,511	1,013,105	5,985,406
Renewal and replacements	2,873,111	3,255,724	1,047,755	2,207,969
Retirement of indebtedness	749,262	749,306	740,062	9,244
Other (student social and cultural; internal service departments; student aid and independent operations)	5,866,948	6,180,675	5,666,517	514,158
<i>Total expenditures</i>	42,993,802	48,999,840	38,309,704	10,690,136
Net Transfers	0	0	0	0
Change in net assets-budgetary basis	(396,937)	(1,981,083)	3,122,307	5,103,390
<i>Ending Fund Balance</i>	\$3,566,769	\$5,665,522	\$10,768,912	\$5,103,390

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

WESTERN NEW MEXICO UNIVERSITY
COMBINED REVENUES, EXPENDITURES,
AND BEGINNING AND ENDING BALANCES (CONTINUED)
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2008

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

Budget basis expenditures	\$ 38,309,704
Capital expenditures	(780,419)
Depreciation	1,910,947
Incentive retirement salaries	(124,721)
Scholarship allowance	(3,396,835)
Bond payments	(377,293)
Other	<u>371,146</u>
 GAAP basis expenses	 <u>\$ 35,912,529</u>
 Budget basis revenues	 \$ 41,432,011
Scholarship allowance	(3,396,835)
Endowment funds	<u>756,313</u>
 GAAP basis revenues	 <u>\$ 38,791,489</u>

The reporting of actuals (budgetary basis) is a non-GAAP accounting method that excludes depreciation expense and includes the cost of capital equipment purchases. The budgetary basis approximates the fund basis of accounting.

WESTERN NEW MEXICO UNIVERSITY
UNRESTRICTED - NON INSTRUCTION & GENERAL
REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$3,284,675	\$6,983,589	\$6,983,589	\$0
Revenues				
Tuition	0	0	(80)	(80)
Miscellaneous fees	457,320	467,277	484,137	16,860
Government appropriation - federal	0	0	0	0
Government appropriations-state	2,185,200	2,222,800	2,222,800	0
Government appropriations-local	0	0	0	0
Government grants - federal	0	0	0	0
Government grants - state	0	0	0	0
Contracts - local	0	0	0	0
Private grants/contracts	0	0	0	0
Endowments	0	0	0	0
Land and permanent fund	0	0	0	0
Private gifts	0	0	0	0
Sales & service	1,530,136	1,576,926	1,594,222	17,296
Other sources	6,379,994	7,343,524	2,338,938	(5,004,586)
<i>Total revenues</i>	10,552,650	11,610,527	6,640,017	(4,970,510)
Expenditures				
Instruction and general	0	0	0	0
Student social and cultural	459,492	521,271	459,784	61,487
Research	0	1,172	34	1,138
Public service	301,187	432,922	279,378	153,544
Internal service departments	70,000	131,550	266,898	(135,348)
Student aid	306,107	311,396	308,252	3,144
Auxiliary enterprises	1,171,018	1,302,221	1,233,444	68,777
Intercollegiate athletics	2,338,881	2,577,135	2,324,011	253,124
Independent operations	0	0	0	0
Capital outlay	5,850,000	6,998,511	1,013,105	5,985,406
Renewal and replacements	2,873,111	3,255,724	1,047,755	2,207,969
Retirement of indebtedness	749,262	749,306	740,062	9,244
<i>Total expenditures</i>	14,119,058	16,281,208	7,672,723	8,608,485
Net Transfers	3,149,814	2,624,314	3,527,881	903,567
Change in net assets-budgetary basis	(416,594)	(2,046,367)	2,495,175	4,541,542
<i>Ending Fund Balance</i>	\$2,868,081	\$4,937,222	\$9,478,764	\$4,541,542

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

WESTERN NEW MEXICO UNIVERSITY
RESTRICTED - NON INSTRUCTION & GENERAL
REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$0	\$0	\$0	\$0
Revenues				
Tuition	0	0	0	0
Miscellaneous fees	0	0	0	0
Government appropriation - federal	0	0	0	0
Government appropriations-state	0	0	0	0
Government appropriations-local	0	0	0	0
Government grants - federal	3,776,323	4,996,517	4,317,797	(678,720)
Government grants - state	349,944	924,092	1,424,127	500,035
Contracts - local	470,082	500,506	69,344	(431,162)
Private grants/contracts	515,000	507,109	353,015	(154,094)
Endowments	0	0	0	0
Land and permanent fund	0	0	0	0
Private gifts	0	0	0	0
Sales & service	0	0	0	0
Other sources	0	0	76,238	76,238
<i>Total restricted revenues</i>	5,111,349	6,928,224	6,240,521	(687,703)
Expenditures				
Instruction and general	0	0	0	0
Student social and cultural	0	0	0	0
Research	0	55,532	58,280	(2,748)
Public service	80,000	1,656,234	1,550,658	105,576
Internal service departments	0	0	0	0
Student aid	5,031,349	5,216,458	4,631,583	584,875
Auxiliary enterprises	0	0	0	0
Intercollegiate athletics	0	0	0	0
Independent operations	0	0	0	0
Capital outlay	0	0	0	0
Renewal and replacements	0	0	0	0
Retirement of indebtedness	0	0	0	0
<i>Total restricted expenditures</i>	5,111,349	6,928,224	6,240,521	687,703
Net Transfers	0	0	0	0
Change in net assets-budgetary basis	0	0	0	0
<i>Ending Fund Balance</i>	\$0	\$0	\$0	\$0

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

WESTERN NEW MEXICO UNIVERSITY
UNRESTRICTED - INSTRUCTION & GENERAL
REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$679,031	\$663,016	\$663,016	\$0
Revenues				
Tuition	5,661,328	5,661,879	5,167,484	(494,395)
Miscellaneous fees	0	0	641,847	641,847
Government appropriation - federal	0	0	0	0
Government appropriations-state	19,874,486	20,168,828	20,168,828	0
Government appropriations-local	0	0	0	0
Government grants - federal	10,000	8,446	33,511	25,065
Government grants - state	0	0	0	0
Contracts - local	0	0	0	0
Private grants/contracts	0	0	0	0
Endowments	0	0	0	0
Land and permanent fund	158,000	145,954	201,639	55,685
Private gifts	0	1,000	1,000	0
Sales & service	540,127	642,859	640,917	(1,942)
Other sources	215,109	335,647	371,114	35,467
<i>Total unrestricted revenues</i>	26,459,050	26,964,613	27,226,340	261,727
Expenditures				
Instruction	13,502,409	14,195,243	13,403,129	792,114
Academic support	1,441,696	1,546,898	1,429,048	117,850
Student services	1,963,451	2,040,269	1,995,341	44,928
Instructional support	3,448,454	3,504,686	3,528,836	(24,150)
Oper. & maint. of plant	2,933,569	2,987,919	2,714,973	272,946
<i>Total unrestricted expenditures</i>	23,289,579	24,275,015	23,071,327	1,203,688
Net Transfers	(3,149,814)	(2,624,314)	(3,527,881)	(903,567)
Change in net assets-budgetary basis	19,657	65,284	627,132	561,848
<i>Ending Fund Balance</i>	\$698,688	\$728,300	\$1,290,148	\$561,848

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

WESTERN NEW MEXICO UNIVERSITY
RESTRICTED - INSTRUCTION & GENERAL
REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$0	\$0	\$0	\$0
Revenues				
Tuition	0	0	0	0
Miscellaneous fees	0	0	0	0
Government appropriation - federal	0	0	0	0
Government appropriation - state	0	0	0	0
Government appropriation - local	0	0	0	0
Government grants - federal	203,599	421,344	712,620	291,276
Government grants - state	270,217	1,094,049	612,513	(481,536)
Contracts -local	0	0	0	0
Private grants/contracts	0	0	0	0
Endowments	0	0	0	0
Land and permanent fund	0	0	0	0
Private gifts	0	0	0	0
Sales & service	0	0	0	0
Other sources	0	0	0	0
<i>Total revenues</i>	473,816	1,515,393	1,325,133	(190,260)
Expenditures				
Instruction	255,752	1,297,329	1,123,105	174,224
Academic support	61,645	61,645	60,294	1,351
Student services	67,063	67,063	60,671	6,392
Institutional support	67,778	67,778	71,395	(3,617)
Oper. & maint. of plant	21,578	21,578	9,668	11,910
<i>Total expenditures</i>	473,816	1,515,393	1,325,133	190,260
Net Transfers	0	0	0	0
Change in net assets-budgetary basis	0	0	0	0
<i>Ending Fund Balance</i>	\$0	\$0	\$0	\$0

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

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS
YEAR ENDED JUNE 30, 2008

Name of Bank	Account Type	Balance per bank statement	Reconciling Items	Reconciled balance per books
Wells Fargo, Silver City, NM				
Federal funds	Checking	\$17,682	(\$17,671)	\$11
Debt service cash	Checking	335,465	8,003	343,468
1988 bonds	Checking	179,906	3,144	183,050
Operating	Checking	522,899	(247,522)	275,377
Operating	Sweep	7,746,787		7,746,787
Wells Fargo Brokerage Services, LLC				
Money market (U.S. Govt. Agency)	Money Market	168,050		168,050
Bank of The Southwest, T or C, NM				
Operating	Checking	1,000		1,000
1st National Bank, Centennial, CO				
Federal	Checking	53,598		53,598
Petty Cash	Cash on Hand			5,800
PRIMARY INSTITUTION CASH		\$9,025,387	(\$254,046) *	\$8,777,141
AmBank, Silver City, NM				
Operating	Checking	\$49,554	\$5,873	\$55,427
Money market	Money market	130,148	(7,022)	123,126
Wells Fargo Bank, Silver City, NM				
Operating	Checking	40,980	(12,670)	28,310
Wells Fargo #75051900	Money market	215,778		215,778
Various investment accounts				
Merrill Lynch	Money Market	17,114		17,114
SmithBarney Citigroup #338-06177-16-013	Money Market	145,989		145,989
SmithBarney Citigroup #335-02836-18-013	Money Market	4,688		4,688
COMPONENT UNIT CASH		\$604,251	(\$13,819)	\$590,432
*Reconciling Items:				
Deposits in transit			\$332	
Outstanding Checks:			(252,798)	(12,670)
Pending transfers out			(11,147)	(7,022)
Pending transfers in			11,147	5,873
Credit card			(1,580)	
Encoding errors			0	
			(\$254,046)	(\$13,819)

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

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)
YEAR ENDED JUNE 30, 2008

Name of Bank/Broker	Investment Type	Market Value
Primary Institution		
Wells Fargo, Silver City, NM Held in Wells Fargo vault	Stock	\$755,976
Wells Fargo Brokerage Services, LLC Brokered Certificates of Deposit (25 banks)	CDs	\$2,481,893
Federal Home Loan Note	Note	500,470
Freddie Mac Discount Note	Note	1,038,874
Bank of America, Silver City, NM Certificates of Deposit - 2 (Endowments)	CDs	945,486
State Investment Council Land Grant Permanent Fund	See Note Below	3,002,253
Primary Institution Investments		\$8,724,952
Component Unit		
Merrill Lynch	Fixed Income Mutual Fund	\$86,378
	Mutual Fund	51,504
	Stock	253,497
Wells Fargo #75106000	Fixed Income Mutual Fund	1,655,514
	Stock	2,468,847
	Real Estate	68,508
	US Treasury Bond	18,802
	Alternative Investments	210,010
SmithBarney Citigroup #338-06177-16-013	CD's	60,679
	Stock	216,037
Held at WNMU Foundation	BP Amoco Stock	17,392
Component Unit Investments		\$5,107,168

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, 2008 financial statements of the State Investment Council.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)
YEAR ENDED JUNE 30, 2008

	Bank Balance					Total
	Bank of the Southwest T or C, NM	1st National Bank Centennial	Wells Fargo Silver City New Mexico	Bank of America Silver City	Wells Fargo Brokerage Services, LLC	
FUNDS ON DEPOSIT						
Demand deposits	\$1,000	\$53,598	\$8,802,739	\$0	\$168,050	\$9,025,387
Certificates of Deposit	0	0	0	945,486	2,481,893	\$3,427,379
LESS Money Market (U.S. Govt. Agency)	0	0	0	0	(168,050)	(\$168,050)
FDIC INSURANCE						
Demand deposits, time deposits	(1,000)	(53,598)	(100,000)	(100,000)	(2,481,893)	(2,736,491)
TOTAL UNINSURED PUBLIC FUNDS	\$0	\$0	\$8,702,739	\$845,486	\$0	\$9,548,225
Fifty percent collateral requirement per Section 6-10-17 NMSA						
	\$0	\$0	\$4,351,370	\$422,743	\$0	
One hundred two percent collateral requirements per Section 6-10-10 (H) NMSA						
	\$0	\$0	\$7,901,723	\$0		
PLEGGED COLLATERAL						
Safe- keeping Location	Type of Security					
Wells Fargo Los Angeles	Federal Nat'l Mtg. Assoc. Conventional Loan Security CUSIP #31409JUZ6 Maturity Date - May 1, 2036	\$0	\$0	\$3,309,723	\$0	
	Federal Nat'l Mtg. Assoc. Conventional Loan Security CUSIP #31410SA80 Maturity Date - May 1, 2036	0	0	912,049	0	
	Government Nat'l Mtg. Assoc. Single Family Loan Security CUSIP #36202DUV1 Maturity Date - Oct. 20, 2032	0	0	99,140	0	
	Government Nat'l Mtg. Assoc. Single Family Loan Security CUSIP #36225BM54 Maturity Date - Apr. 15, 2031	0	0	85,150	0	

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

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)
YEAR ENDED JUNE 30, 2008

	Bank Balance					Total
	Bank of the Southwest T or C, NM	1st National Bank Centennial	Wells Fargo Silver City New Mexico	Bank of America Silver City	Wells Fargo Brokerage Services, LLC	
PLEGDED COLLATERAL (CONTINUED)						
Federal Nat'l Mtg. Assoc. Conventional Loan Security CUSIP #31414U3K2 Maturity Date - Apr. 1, 2038	0	0	5,115,378	0		
Federal Nat'l Mtg. Assoc. Conventional Loan Security CUSIP #31415A259 Maturity Date - May. 1, 2038	0	0	3,085,994	0		
<i>Total Pledged Collateral</i>	0	0	12,607,434	0		
<i>Deficit(excess) of pledged collateral over the required amount</i>	\$0	\$0	\$4,227,735	(\$422,743)		

Note: The Federal Deposit Insurance Corporation (FDIC) issued an advisory opinion (FDIC 85-24) on October 27, 1985, stating that state funds are entitled to \$100,000 insurance for time and savings deposits and \$100,000 for demand deposits for each insured financial institution.

The Component Unit did not have any collateralized deposits at June 30, 2008.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Federal Grantor - Program Title	Federal CFDA Number	State Award Number	Fiscal Year Expenses
<u>U.S. Department of Education</u>			
Direct Student Financial Aid			
Poll Grant Program - regular	84.063		\$3,376,201
College Work - Study Program	84.033		187,908
Supplemental Educational Opportunity Grants	84.007		94,684
Federal Family Education Loan Program	84.032		5,535,589
Perkins Student Loan Program	84.038		56,258
Title V	84.031S		0
Rehabilitation long-term training	84.129L		0
Academic Competiveness Grant	84.375		19,300
SMART Grant	84.376		36,000
<i>Total Direct Student Financial Aid</i>			9,305,940
Pass-Through NM Department of Education			
Adult Basic Education #1	84.002	2006-910-000104	190,717
Adult Basic Education #2	84.029E	2006-910-000104	74,982
Carl Perkins	84.038	017-4-2-1-855	68,928
Math & Science Partnership	84.366	06-924-0005	158,996
Title II - El Puente	84.376	S367B060028A	273,800
Pass-Through Bureau of Indian Affairs			
School Improvement	84.027A	CMK0E020144	0
<i>Total Indirect U.S. Department of Education</i>			767,423
Total U.S. Department of Education			\$10,073,363
<u>Department of Health and Human Services</u>			
Passed through NM Department of Children, Youth and Families			
Title IV - E CYFD Social Work	93.658	06-690-5000--5009	\$132,512
New Mexico Works	93.558	Q00874	629,512
Growing Up Together Strong	93.995	6APHPA006019-0101	49,338
Total Health and Human Services			\$811,362
<u>U.S. Department of Agriculture</u>			
Study on Aquatic Ecosystems	10.652		\$36,803
<u>U.S. Department of Defense</u>			
METTOP	53.214A		\$0
<u>Other</u>			
Small Business Development	59.037		\$19,147
Total Federal Assistance			\$10,940,675

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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

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 2008 or accrued revenue at June 30, 2008. 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, 2008, were \$820,160. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2008, were \$56,258. The schedule of Federal Expenditures of Federal Awards only includes an amount that represents administrative costs and additional advances, including the University's matching requirement expended for the year ended June 30, 2008.

During the fiscal year ended June 30, 2008, the University processed \$5,535,589 of new loans under the Guaranteed Student Loan Program, which includes Stafford Loans, Parents' Loans for Undergraduate Students, and Supplemental Loans for Students.

**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***

Mr. Hector H. Balderas, State Auditor and
Board of Regents
Western New Mexico University
Silver City, New Mexico

We have audited the financial statements of the business-type activities of Western New Mexico University (University) and the discretely presented component unit of Western New Mexico Foundation, Inc. (Foundation) as of and for the year ended June 30, 2008, which collectively comprise the University's basic financial statements and have issued our report thereon dated November 12, 2008. We have also audited the financial statements and budgetary comparisons presented as supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Western New Mexico University's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting, findings 06-01 and 2008-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Mr. Hector H. Balderas, State Auditor and
Board of Regents
Western New Mexico University
Silver City, New Mexico
Page Two

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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 2007-01 and 06-11.

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

This report is intended solely for the information and use of management, the Board of Regents, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, the Higher Education Department, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kriegel/Gray/Shaw & Co., P.C.

November 12, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Hector H. Balderas, State Auditor and
Board of Regents
Western New Mexico University
Silver City, New Mexico

Compliance

We have audited the compliance of Western New Mexico University with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Western New Mexico University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Western New Mexico University's management. Our responsibility is to express an opinion on Western New Mexico University's compliance based on our audit.

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

In our opinion, Western New Mexico University complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

Mr. Hector H. Balderas, State Auditor and
Board of Regents
Western New Mexico University
Silver City, New Mexico
Page Two

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Regents, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, the Higher Education Department, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kriegel/Gray/Shaw & Co., P.C.

November 12, 2008

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of Auditor’s Report issued:

Unqualified

Internal Control Over Financial Reporting:

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

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

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

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.033, 84.063, 84.007, 84.032, 84.038, 84.375, and 84.376	Student Financial Aid Cluster
93.558	New Mexico Works

Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000

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, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2008-01 Vacations Not Taken by Key Employees

Statement of Condition – We noted that two key business office employees did not take vacation during the fiscal year ended June 30, 2008.

Criteria – Good internal controls require key employees to take a vacation to provide the opportunity for others to perform their duties to observe that procedures are in accordance with policy and to detect any potential fraudulent activity that requires consistent maintenance.

Cause – Workload pressures.

Effect – Potential fraudulent activity could go undetected for an extended period of time as well as fatigue which increases the potential for errors.

Recommendation – All key employees should be required to take at least five days of consecutive vacation each year.

Management's Response – The University currently has existing compensating internal controls in place to mitigate the potential for any fraudulent activity. However, the benefits realized from taking vacations are recognized in respect to employee performance. Every effort will be made to alleviate work pressures with emphasis placed on the encouragement of taking five days of consecutive vacation leave on an annual basis.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2007-01 Cash – Pledged Collateral

Repeated with modification.

Statement of Condition – The certificates of deposit with Bank of America were not properly collateralized at June 30, 2008. The certificate of deposit were under collateralized by \$422,743.

Criteria – Fifty percent of the balance of uninsured public funds must be collateralized per Section 6-10-17, NMSA 1978.

Cause – The University purchased the certificates on June 26, 2008 and at that time the bank did not have a custodial account at a third party to hold the collateral for the University. The custodial agreement was completed on July 17, 2008.

Effect – The University is not in compliance with state statutes and the funds are at risk in the event of a bank failure.

Recommendation – Collateralization should be monitored on an on-going basis for all bank accounts.

Management's Response – A coding error at the bank resulted in the lack of collateral. Procedures have been amended to require custodial agreements be in place at the time certificates of deposit are purchased.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

06-01 Disaster Recovery Plan

Repeated with modification.

Statement of Condition – The University has an informal disaster recovery procedure and is currently analyzing two options for offsite disaster recovery but currently has no formalized plan in place.

Criteria – A disaster recovery plan should be used as a component to an organization’s larger business continuity plan. A business continuity plan goes beyond recovering computer systems, and is a planned response to keeping business operations functioning following a disaster.

Cause – The University has not completed their analysis of two potential offsite disaster recovery options.

Effect – The University is potentially at risk of losing valuable systems data in the event of a disaster. In addition, without a formal plan in place, the University may not be able to restore its system timely.

Recommendation – The University should complete the development of a plan that includes steps for continuing service to stakeholders, ensuring employee payroll continuance, establishing communications, and designating an alternate location to conduct business. In developing its plan, the University should involve all critical stakeholders and should include a business impact analysis to identify critical technology functions and help determine what business functions can tolerate an extended service outage. Consideration should be given to recovery of critical business systems, and reestablishing connectivity to the Internet, telecommunications systems, and e-mail. Once the plan has been developed, it should be tested annually to ensure its viability.

Management’s Response – The Information Technology Disaster Recovery plan which addresses speedy restoration of services continues to be addressed. A server specific to meet formal backup procedures has been purchased and installed. Additional licensing issues are currently being addressed. The University is working with vendors to address various licensing issues.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

06-10 Late Audit Report

Resolved and not repeated.

06-11 Budget Overspending

Repeated with modification.

Statement of Condition – We noted that the University overspent its approved budget as follows:

- | | |
|--|-----------|
| • Combined funds – Research | \$1,610 |
| • Unrestricted non instruction and general -
Internal service departments | \$135,348 |
| • Restricted – non instruction and general -
Research | \$2,748 |

Criteria – Per Title 5 of the New Mexico Administrative Code, Chapter 3, Part 4, Paragraph 10, total expenditures of certain budgetary totals may not exceed the amount in the approved budget.

Cause – Expenditures were approved for payment when budgeted funds were not available. Budget adjustment requests were not completed to cover the increase in expenditures.

Effect – Overspending of the budget could result in a shortfall of cash funds.

Recommendation – Budget controls and processes should be strengthened to ensure that budgeted amounts are never overspent by any amount and budget adjustment requests are completed as necessary.

Management's Response – Although expenditure levels exceeded approved budgets in the three areas, the overall fund balances exceeded the budgeted fund balances and did not result in a shortfall of cash funds. The University will take internal action to make sure expenditures are within approved budget expenditure levels.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**CURRENT YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL AWARD PROGRAM AUDIT:**

None.

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL AWARD PROGRAM AUDIT:**

None.

WESTERN NEW MEXICO UNIVERSITY
EXIT CONFERENCE
JUNE 30, 2008

EXIT CONFERENCE:

The exit conference was held November 13, 2008 and was attended by the following:

From Western New Mexico University:

Dr. John E. Counts, President
Sherri Bays, Vice President for Business Affairs
Yolee O'Connell, Comptroller
Tony Trujillo, Regent

From Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA, Shareholder
Gale Patton, Staff Accountant