



**KRIEGEL/GRAY/SHAW & CO., P.C.**

2452 Missouri Ave., P.O. Box 2707, Las Cruces, New Mexico 88004 • Phone: (575) 523-7444, Fax: (575) 527-0872

---

# **WESTERN NEW MEXICO UNIVERSITY**

## **FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2009**

# WESTERN NEW MEXICO UNIVERSITY

## TABLE OF CONTENTS JUNE 30, 2009

	<u>Page</u>
<b>OFFICIAL ROSTER</b>	1
<b>INDEPENDENT AUDITORS' REPORT</b>	2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>FINANCIAL STATEMENTS:</b>	
Statement of Net Assets	9
Statement of Revenues, Expenses, and Changes in Net Assets	11
Statement of Cash Flows	13
<b>NOTES TO FINANCIAL STATEMENTS</b>	15
<b>SUPPLEMENTARY INFORMATION</b>	
<b>Unrestricted and Restricted – All Operations</b> Revenues, Expenditures, and Beginning and Ending Balances Budget Comparisons	31
<b>Unrestricted – Non Instruction &amp; General</b> Revenues, Expenditures, and Beginning and Ending Balances Budget Comparisons	33
<b>Restricted – Non Instruction &amp; General</b> Revenues, Expenditures, and Beginning and Ending Balances Budget Comparisons	34
<b>Unrestricted – Instruction &amp; General</b> Revenues, Expenditures, and Beginning and Ending Balances Budget Comparisons	35
<b>Restricted – Instruction &amp; General</b> Revenues, Expenditures, and Beginning and Ending Balances Budget Comparisons	36
Schedule of Individual Deposit and Investment Accounts	37
Schedule of Expenditures of Federal Awards	42
Notes to the Schedule of Expenditures of Federal Awards	43
<b>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></b>	44
<b>REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</b>	46
Schedule of Findings and Questioned Costs	48
Exit Conference	53

# WESTERN NEW MEXICO UNIVERSITY

OFFICIAL ROSTER  
JUNE 30, 2009

## BOARD OF REGENTS

### Ex Officio Members

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

### Appointed Members

Tony Trujillo	President
Noreen Scott	Vice President
James Hill	Secretary/Treasurer
Charles R. Briggs	Member
Jerry Walz	Member

### Principal Administrative Officials

Dr. John E. Counts	President
Dr. Faye Vowell	Vice President for Academic Affairs
Sherri A. Bays, CPA	Vice President for Business Affairs
Dr. Phillip J. Farren	Vice President/Student and Community Affairs

**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, 2009, 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, 2009, 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, 2009, 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, 2009, 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 9, 2009, 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.*  
Kriegel/Gray/Shaw & Co., P.C.

November 9, 2009

**WESTERN NEW MEXICO UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2009**

**Overview of the Financial Statements and Financial Analysis**

Western New Mexico University is proud to present its financial statements for fiscal year 2009. 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		
	2008	2009	Variance
<b>Assets</b>			
Current assets	\$16,139,464	\$15,935,051	(\$204,413)
Noncurrent assets	28,478,465	28,010,077	(468,388)
<b><i>Total Assets</i></b>	<b>\$44,617,929</b>	<b>\$43,945,128</b>	<b>(\$672,801)</b>
<b>Liabilities</b>			
Current liabilities	\$4,502,968	\$4,448,817	(\$54,151)
Noncurrent liabilities	5,184,548	4,633,187	(551,361)
<b><i>Total Liabilities</i></b>	<b>\$9,687,516</b>	<b>\$9,082,004</b>	<b>(\$605,512)</b>
<b>Net Assets</b>			
Invested in capital assets, Net of debt	\$18,930,760	\$18,962,940	\$32,180
Restricted – nonexpendable	5,438,745	4,644,195	(794,550)
Restricted – expendable	8,406,195	7,557,917	(848,278)
Unrestricted	2,154,713	3,698,072	1,543,359
<b><i>Total Net Assets</i></b>	<b>\$34,930,413</b>	<b>\$34,863,124</b>	<b>(\$67,289)</b>

**WESTERN NEW MEXICO UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2009**

Total net assets of the institution were decreased by \$67,289 as a result of current year activity. A review of the Statement of Net Assets reflects only a slight increase in Invested in Capital Assets. The major areas of fluctuation were in both Restricted and Unrestricted Net Assets with the change between the two almost offsetting each other. The decrease in restricted Net Assets – Nonexpendable was mainly attributable to the adjustment to the market value of the endowed securities and the permanent fund endowment of \$0.9 million. This was slightly offset by \$0.1 million received from the NMHED (New Mexico Higher Education Department) for matching funds towards a scholarship endowment. The decrease in Restricted Net Assets – Expendable was a result of allocated plant expenditures of \$0.2 million as current year's projects were utilizing funds from prior years. A reduction in the Building Renewal & Replacement (BR&R) funds of \$0.6 million also contributed to the net decrease as the university reduced the amount of the transfer from Instruction and General (I&G) to BR&R as authorized through state statute, therefore, impacting the amount available for BR&R expenditure which also resulted in expenditures utilizing funds from prior years. The increase in Unrestricted Net Assets was mainly attributable to reduced salaries and benefit cost in I&G of \$1.6 million along with lower than expected utility cost of \$0.2 million. The reduction in the transfer of \$0.6 million from I&G to BR&R also had an impact resulting in the increase to Unrestricted Net Assets. All of these positive impacts were somewhat offset by the reduction in state appropriations in the amount of \$0.5 million and less than anticipated expenditure in the amount of \$0.5 million in other current funds to include Student Social and Cultural, Public Service, Auxiliaries and Athletics. The slight change in 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, however, the increase in Unrestricted Net Assets will provide for fiscal stability of the University during economic challenging times.

Total liabilities for the year decreased \$605,512. The decrease was a result of payment towards the outstanding revenue bonds principle along with a reduction in the incentive retirement plan obligation as a result of less participation in the plan.

**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.

**WESTERN NEW MEXICO UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2009**

	June 30		Variance
	2008	2009	
<b>Operating Revenues</b>			
Tuition and fees	\$3,567,259	\$3,733,941	\$166,682
Federal grants and contracts	5,061,339	5,197,994	136,655
State and local grants and contracts	2,036,640	2,239,038	202,398
Sales and services auxiliary enterprises	2,235,139	2,382,892	147,753
Other	2,324,385	1,542,813	(781,572)
<i>Total Operating Revenue</i>	15,224,762	15,096,678	(128,084)
<b>Expenses</b>			
Instruction and general	24,269,710	23,939,622	(330,088)
Public service	1,829,820	2,857,528	1,027,708
Student aid grants and stipends	1,543,000	1,421,789	(121,211)
Auxiliary enterprises	1,233,405	1,280,538	47,133
Athletics	2,325,226	2,464,954	139,728
Other expenditures	2,513,604	2,793,387	279,783
Depreciation	2,197,764	2,089,586	(108,178)
<i>Total Expenses</i>	35,912,529	36,847,404	934,875
<i>Operating loss</i>	(20,687,767)	(21,750,726)	(1,062,959)
<b>Nonoperating revenues (expenses)</b>			
State appropriations/special appropriations and other nonoperating revenue	22,761,689	21,002,668	(1,759,021)
Gain/(Loss) before other revenues and expenses	2,073,922	(748,058)	(2,821,980)
Other revenues/(expenses)	803,291	680,769	(122,522)
<i>Net Increase/(Decrease) in Net Assets</i>	\$2,877,213	(\$67,289)	(\$2,944,502)

The Statement of Revenues, Expenses and Changes in Net Assets reflect a slight decrease in net assets at the end of the year of \$67,289. Operating revenues were down only \$128,084 from the previous year. Tuition and fees revenue of \$0.16 million along with grants and contracts revenue of \$0.13 million and auxiliary revenues of \$0.15 million were all greater than amounts collected in prior year, however, these increases were more than offset by the reductions in other sources of \$0.8 million as the decrease is mainly a result of \$0.6 million less in matching funds received from NMHED for endowments. Operating expenses were greater by \$934,875 than the previous year. The increase in public service expense is due to the Early Childhood Program expenses of \$1.1 million reported in prior year as I&G rather than public service. Taking this into consideration, I&G expenses increased over the prior year by \$0.7 million. These increases were primarily in the instructional area of \$0.5 million with the expansions in Nursing, Occupational Therapy and Social Work programs representing \$0.45 million of the increase. Institutional support expenses also increased by \$0.15 million. Athletic expenses increased due to the purchase of two new buses in the amount of \$0.2 million and other expenses increased by \$0.28 million. The reduction to nonoperating revenues and expenses were primarily the result of a one-time appropriation for BR&R of \$1.5 million and a one-time hold harmless appropriation for I&G of \$0.6 million in 2008. Investment income was also down \$0.1 million from prior year. These decreases were somewhat offset by the original base appropriation of 2009 (excluding one-time appropriations) increasing by \$1.0 million later to be reduced by the State in the amount of \$0.5 million as a result of appropriation reductions during the year based on the State's economic condition.



**WESTERN NEW MEXICO UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2009**

**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		<u>Variance</u>
	<u>2008</u>	<u>2009</u>	
Net cash used by operating activities	(\$17,852,340)	(\$20,986,039)	(\$3,133,699)
Net cash provided by noncapital financing activities	22,391,628	20,734,378	(1,657,250)
Net cash provided by investing activities	(632,416)	(4,342,386)	(3,709,970)
<u>Net cash used by capital and related financing</u>	<u>(201,612)</u>	<u>(1,151,784)</u>	<u>(950,172)</u>
Net increase (decrease) in cash and cash equivalents	3,705,260	(5,745,831)	(9,451,091)
Cash at beginning of year	5,071,881	8,777,141	3,705,260
<u>Cash at end of year</u>	<u>\$8,777,141</u>	<u>\$3,031,310</u>	<u>(\$5,745,831)</u>

**Capital Asset and Debt Administration**

The University had minimal capital asset additions for facilities in the current fiscal year. Capital asset additions include the Fox Athletic Complex Expansion, renovations of housing dormitories and the museum, and the relocation of the campus post office. Major construction in progress at year-end was the construction of the Juan Chacon building expansion. Outstanding debt used for previous construction was reduced to a principal amount of \$4,335,000 and the corresponding rating from Moody's was Aaa.

**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. The revised budget also reflected an increase in sales and services in Auxiliary Enterprises and Public Service to allow for additional revenue collected for housing, cafeteria, and the Early Childhood programs. Miscellaneous fees were increased to allow for additional fees collected based on the increased enrollment. Revenues were under the final budget by \$245,780 due to a contract delay in the expansion of the new Juan Chacon building. Expenses were also revised to allow for plant construction and for utilization of the supplemental BR&R and equipment funding. However, expenses were significantly under the final budget by \$4,351,807 due to the deferral of building repairs based on priority planning. The original unrestricted non-I&G transfer budget was revised to allow the University to retain BR&R funds in I&G for operations and to allow for plant funds to cover a scheduled debt payment. However, plant funds actually increased due to decreased expenditures. Unrestricted I&G fund revenues were marginally higher than the final budget. Expenditures, however, were \$1,841,465 lower than the final budget primarily due to (1) lower salary and benefit costs of \$1.6 million, mainly in instruction and operations and maintenance as a result of budgeted positions remaining vacant, and (2) lower utility costs in the amount of \$0.2 million.

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 multi-year grants being awarded yet budgeted for the current year. Remaining revenue and expenditures will occur in the subsequent year based on the multi-year awards.

**WESTERN NEW MEXICO UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2009**

**Comparative Analysis**

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

**Economic Outlook:**

The current economic outlook of the nation and local economic conditions will have a significant impact regarding future enrollment. Freeport-McMoran (previously Phelps Dodge) took measures to reduce cost in the latter part of 2008 and carried over actions into 2009, which has had a significant impact on local employment. Grant County ranks among the top counties in the State as having the highest unemployment rate. This has resulted in individuals deciding to attend the university as no work is available.

This fall semester has resulted in record high enrollments for the university with headcount enrollment increasing significantly at both undergraduate and graduate levels therefore contributing to the significantly increased overall student credit hour generation. We have experienced growth in on-line course offerings at both the undergraduate and graduate level and dual enrollment. We are continuing our efforts in these areas as well as expanding offerings of graduate programs, both on-line and face-to-face. Slightly less than one-third of the enrollment increase in the fall is directly related to individuals participating in workforce training as a result of employee reductions at Freeport-McMoran and related contractors. We will most likely see declines in enrollment in future years as these individuals move through the system, but should have some sustaining enrollment as the new programs offered are in areas of high market demand and we will continue to expand our on-line course offerings at both the undergraduate and graduate levels

National and local economic conditions will continue to have an impact on future enrollments as well as funding availability from the State. Based on economic conditions within the State, it is almost certain that funding will be decreased in fiscal year 2010 as well as reductions in state appropriations for fiscal year 2011. There is also potential for formula workload as a result of enrollment increase in fiscal year 2010 to not be fully funded for fiscal year 2012 due to the State's economic condition, which would impact appropriation levels in fiscal year 2012

**WESTERN NEW MEXICO UNIVERSITY**

**STATEMENT OF NET ASSETS**

JUNE 30, 2009

	Primary Government	Component Unit
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$3,015,471	\$374,712
Cash endowments	\$15,839	\$0
Cash restricted for other organizations	0	220,520
Accounts receivable, net of \$61,739 and \$0 allowance	140,592	253
Contract and grant receivables, net of \$159,413 allowance	1,700,643	0
Student receivables, net of \$1,781,294 allowance	1,480,318	0
Capital grant receivables	361,700	0
Due from Foundation	146,271	0
Certificates of deposit	8,119,964	0
Investments	511,949	0
Inventories	4,201	0
Prepaid assets	438,103	0
<i>Total current assets</i>	<u>15,935,051</u>	<u>595,485</u>
<b>Noncurrent Assets</b>		
Endowment investment	4,607,946	4,359,605
Capital assets, net of accumulated depreciation	23,402,131	228,900
<i>Total noncurrent assets</i>	<u>28,010,077</u>	<u>4,588,505</u>
<b>Total assets</b>	<b><u>\$43,945,128</u></b>	<b><u>\$5,183,990</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables and accrued liabilities	\$2,250,981	\$0
Accrued compensated absences	76,628	0
Accrued incentive retirement payable	199,483	0
Deferred revenue	1,347,618	0
Bonds payable - current portion	405,419	0
Due to Western New Mexico University	0	146,271
Deposits held for others	168,688	220,520
<i>Total current liabilities</i>	<u>4,448,817</u>	<u>366,791</u>
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	374,124	0
Accrued incentive retirement payable	225,290	0
Bonds payable - long-term portion	4,033,773	0
<i>Total noncurrent liabilities</i>	<u>4,633,187</u>	<u>0</u>
<b>Total liabilities</b>	<b><u>9,082,004</u></b>	<b><u>366,791</u></b>

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

**WESTERN NEW MEXICO UNIVERSITY**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2009**

	Primary Government	Component Unit
<b>Net Assets</b>		
Invested in capital assets, net of related debt	18,962,940	0
Restricted for		
Nonexpendable		
Restricted (endowment fund balances)	4,644,195	4,771,178
Expendable		
Scholarships, research, instruction and other loans	308,340	118,571
Capital projects	6,732,784	0
Debt service	516,793	0
Unrestricted	3,698,072	(72,550)
<i>Total net assets</i>	<u>34,863,124</u>	<u>4,817,199</u>
<b><i>Total liabilities and net assets</i></b>	<b><u>\$43,945,128</u></b>	<b><u>\$5,183,990</u></b>

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, 2009**

	Primary Government	Component Unit
<b>Operating Revenues</b>		
Tuition and fees	\$7,654,907	\$0
Tuition discounts and allowances	(3,920,966)	0
	3,733,941	0
Federal grants and contracts	5,197,994	0
State and local grants and contracts	2,239,038	0
Private local grants and contracts	47,210	0
State land and permanent fund and investment income	394,615	(808,897)
Sales and services of auxiliary enterprises	2,382,892	0
Contributions	0	243,938
Other	1,100,988	0
<i>Total operating revenues</i>	15,096,678	(564,959)
<b>Operating Expenses</b>		
Instruction and general		
Instruction	13,853,903	0
Academic support	1,466,514	0
Student services	2,108,771	0
Institutional support	3,766,316	0
Operations and maintenance support	2,744,118	0
	23,939,622	0
Public service	2,857,528	0
Student aid grants and stipends	5,342,755	0
Tuition discounts and allowances	(3,920,966)	0
Auxiliary enterprises	1,280,538	0
Athletics	2,464,954	0
Other expenditures	2,793,387	0
Awards and grants to individuals	0	142,654
Grants to other organizations	0	0
Operating expenses	0	147,999
Depreciation	2,089,586	11,462
<i>Total expenses</i>	36,847,404	302,115
<i>Operating (loss) income</i>	(21,750,726)	(867,074)

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, 2009

	Primary Government	Component Unit
Non operating revenues (expenses)		
State appropriations	20,734,378	0
Interest and investment income	268,290	0
<i>Net nonoperating revenues</i>	<u>21,002,668</u>	<u>0</u>
<i>(Loss) income before other revenues, expenses, gains and losses</i>	<u>(748,058)</u>	<u>(867,074)</u>
Other		
Capital appropriations	681,497	0
Capital grants and gifts, net	0	0
Gain/(Loss) on asset disposition	(728)	0
<i>Net other revenues/(expenses)</i>	<u>680,769</u>	<u>0</u>
<i>Increase in net assets</i>	<u>(67,289)</u>	<u>(867,074)</u>
Net assets		
Net assets - beginning of year	34,930,413	5,684,273
<i>Net assets, end of year</i>	<u><b>\$34,863,124</b></u>	<u><b>\$4,817,199</b></u>

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

# WESTERN NEW MEXICO UNIVERSITY

## STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009

	Primary Government	Component Unit
<b>Cash Flows From Operating Activities</b>		
Adjustment to reconcile increase in net assets to net cash provided by operating activities		
Tuition and fees	\$7,740,163	\$0
Grants and contracts	6,884,205	0
Sales and services of educational activities	2,365,207	0
Other operating receipts	1,518,960	282,808
Payments to employees for salaries and benefits	(22,693,202)	(52,647)
Payments to suppliers	(9,973,557)	(47,831)
Loans grants issued to students and employees	(6,827,819)	(79,721)
<i>Net cash (used) provided by operating activities</i>	(20,986,043)	102,609
<b>Cash Flows From Noncapital Financing Activities</b>		
State appropriations	20,734,378	0
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(9,498,767)	(1,671,658)
Interest received on investments	268,290	0
Sale of investments	4,888,091	1,528,544
<i>Net cash provided by investing activities</i>	(4,342,386)	(143,114)
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of capital assets	(1,717,696)	0
Disposition of capital assets	482,357	0
Loss on asset dispositions	0	0
Capital appropriations received	468,559	0
Repayments of capital debt	(385,000)	0
<i>Net cash used by capital and related financing activities</i>	(1,151,780)	0
<i>Net (decrease) increase in cash and cash equivalents</i>	(5,745,831)	(40,505)
Cash and cash equivalents, beginning of year	8,777,141	415,217
<b><i>Cash and cash equivalents, end of year</i></b>	<b><i>\$3,031,310</i></b>	<b><i>\$374,712</i></b>

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

**WESTERN NEW MEXICO UNIVERSITY**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2009**

	Primary Government	Component Unit
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating (loss) income	(\$21,750,726)	(\$867,074)
Adjustments to reconcile operating (loss) income to net cash used by operating activities		
Depreciation expense	2,089,586	11,462
Amortization expense	(19,796)	0
Loss on asset disposition	(728)	0
Provision for uncollectible accounts	0	(8,488)
Reversal of depreciation on non-depreciable assets	0	0
Unrealized (gain)/loss on investments	0	890,677
Changes in assets and liabilities		
Receivables	(591,503)	8,295
Short-term investments	0	0
Inventories	(585)	0
Other assets	(507,059)	(2,450)
Accounts payable and accrued expenses	(12,920)	0
Due to Western New Mexico University	0	7,254
Deposits held for others	0	0
Grants and awards payable	0	62,933
Deferred revenue	(940)	0
Incentive Retirement Payable	(224,026)	0
Compensated absences	32,654	0
<b><i>Net cash used by operating activities</i></b>	<b>(\$20,986,043)</b>	<b>\$102,609</b>

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



**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**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 2008, Western New Mexico University's student enrollment was 2,820 (including its off-campus educational centers) taught by 89 faculty members. The campus has expanded to 49 buildings on 230 acres. Over half (72%) 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, South Korea, Nigeria, Ecuador, Brazil, Kenya, New Zealand, Fiji Islands, South Africa, Portugal, Bosnia-Herzegovina, Sweden, 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 (43%), Anglo (40%), African American (3%), and Native American (3%).

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, 2009**

**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, 2009**

**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, 2009**

**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 2009, are shown as income in the accompanying financial statements if the session's refund period ends prior to June 30, 2009. If summer courses' refund period is not over as of June 30, 2009, 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, 2009, the accrued vacation pay amounted to \$450,752. 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, 2009**

**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.

*Nonoperating Revenues.* Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating 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, 2009**

**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, 2009.

*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 a U.S. Government note and FDIC insured certificates of deposit at June 30, 2009.

Investments of \$13,239,859 for the University and \$4,359,605 for the Foundation at June 30, 2009 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 \$125,000 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 \$965,055. 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 \$888,252 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, 2009, the investments of the University and its component unit consisted of the following.

	<u>Fair Value</u>
<b>Primary Institution</b>	
U.S. Government backed notes	\$ 511,949
Certificates of Deposit	9,934,735
Endowment Securities:	
Equity securities	439,946
Investment held by others*	<u>2,353,229</u>
Total investments	<u>\$ 13,239,859</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, 2009**

**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 19,338

Federal National Mortgage Association 0

Total U.S. Government and Agency Securities 19,338

Equity securities 2,421,443

Certificates of deposit 133,138

Bond Mutual Funds 1,785,686

Total investments \$ 4,359,605

*Collateralization of Deposits.* At June 30, 2009 the recorded values of cash and time deposits with financial institutions were as follows. Bank balances (which differ from the reported values due to reconciling items) are categorized as follows:

	Primary Institution	Component Unit
Amount insured by the Federal Deposit Insurance Corporation	\$318,479	\$233,826
Amount insured by the Securities Investor Protection Corporation	0	362,238
Amount collateralized with securities held in the University's name by their agent	2,347,322	0
Uncollateralized	<u>0</u>	<u>0</u>
Total Cash and Time Deposit Bank Balances	2,665,801	596,064
Other reconciling items on deposit accounts	365,509	(832)
Total reported cash balance	<u>\$3,031,310</u>	<u>\$595,232</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, 2009, none of the University's bank balance of \$2,665,801 was uninsured and uncollateralized. All collateralized deposits were held by the pledging bank's trust department in the University's name.

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

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

A summary of the investments and its respective maturities at June 30, 2009 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					
	\$ 2,793,175				
Certificates of deposit	9,934,735	\$9,028,478	\$906,257	\$0	\$0
Freddie Mac Discount Notes	511,949	511,949	0	0	0
Federal Home Loan Note	-	-	0	0	0
	<hr/>				
Total long-term Investments	<u>\$13,239,859</u>	<u>\$9,540,427</u>	<u>\$906,257</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 were purchased initially in \$100,000 denominations and subsequently in \$250,000 denominations at 53 separate financial institutions and are fully insured by FDIC. The remaining certificate of deposit is at one institution with applicable FDIC insurance and pledged collateral.

**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					
	\$4,207,129				
U.S. Government					
Agency oblig.	19,338				\$ 19,338
Certificates of deposit	133,138	19,000	114,138	0	0
Total	<hr/>				
	4,359,605				
Items subject to interest					
rate risk					
	<hr/>				
	152,476	19,000	114,138	0	\$ 19,338



**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

*Credit Risk.* The University's investment policy limits investment in money market instruments and other securities of commercial banks, broker-dealers or recognized financial institutions to those rated in the highest Rating Category by any nationally recognized statistical rating organization (NRSROs) or which are guaranteed by a person or entity whose long-term debt obligations are rated in the highest Rating Category by any NRSRO, including, without limitation, securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 USC Sections 80(a)-1 et. Seq., which invest only in, or whose securities are secured only by, obligations of the government of the United States of America. The University's investment in mutual funds 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, 2009, none of the component unit's bank balance of \$595,232 was uninsured and uncollateralized. However, 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, 2009, the University's endowment certificate of deposit balances were \$1,814,771. FDIC insurance was in place for \$250,000 with the collateral requirement met for the remaining balance of \$782,386.

Of the investment in corporate stocks and bonds, the University had no custodial credit risk exposure at June 30, 2009.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3. CAPITAL ASSETS**

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

	Balance June 30, <u>2008</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	Balance June 30, <u>2009</u>
<b>Capital assets not being depreciated</b>					
Land	\$ 904,080	-	-	-	\$904,080
Buildings in process	176,346	937,724	(300,794)	-	813,276
<b>Total capital assets not being depreciated</b>	<b>\$ 1,080,426</b>	<b>937,724</b>	<b>(300,794)</b>	<b>-</b>	<b>\$1,717,356</b>
<b>Other capital assets</b>					
Land improvements	\$ 2,690,701	93,615	-	-	\$2,784,316
Buildings	57,461,467	-	300,794	-	57,762,261
Equipment	9,419,897	442,557	-	(482,357)	9,380,097
Library materials	10,762,580	243,800	-	-	11,006,380
<b>Total other capital assets</b>	<b>80,334,645</b>	<b>779,972</b>	<b>300,794</b>	<b>(482,357)</b>	<b>80,933,054</b>
<b>Accumulated depreciation for</b>					
Land improvements	\$ 2,190,409	45,561	-	-	2,235,970
Buildings	38,032,506	1,244,065	-	-	39,276,571
Equipment	8,203,176	474,004	-	481,629	8,195,551
Library materials	9,214,231	325,956	-	-	9,540,187
<b>Total accumulated depreciation</b>	<b>57,640,322</b>	<b>2,089,586</b>	<b>-</b>	<b>481,629</b>	<b>59,248,279</b>
<b>Other capital assets, net</b>	<b>\$22,694,323</b>	<b>(1,309,614)</b>	<b>300,794</b>	<b>(728)</b>	<b>\$21,684,775</b>
<b>Capital assets summary</b>					
Capital assets not being depreciated	\$ 1,080,426	937,724	(300,794)	-	\$1,717,356
Other capital assets, at cost	80,334,645	779,972	300,794	(482,357)	80,933,054
Total cost of capital assets	81,415,071	1,717,696	-	(482,357)	82,650,410
Accumulated depreciation	(57,640,322)	(2,089,586)	-	481,629	(59,248,279)
<b>Capital assets, net</b>	<b>\$23,774,749</b>	<b>(371,890)</b>	<b>-</b>	<b>(728)</b>	<b>\$23,402,131</b>

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 4. LONG-TERM LIABILITIES**

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjmts</u>	Ending <u>Balance</u>	<u>Amount Due in One Year</u>
Bonds, notes payable						
Bond payable	\$ 4,720,000	-	(385,000)	-	4,335,000	395,000
Bond premium	123,988	-	(10,419)	(9,377)	104,192	10,419
Accrued compensated absences	418,098	318,961	(286,307)	-	450,752	76,628
<b>Total</b>	<b>\$ 5,262,086</b>	<b>318,961</b>	<b>(681,726)</b>	<b>(9,377)</b>	<b>4,889,944</b>	<b>482,047</b>

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

**NOTE 5. REVENUE BONDS**

Revenue bonds payable consisted of the following:

Description	Interest <u>Rate</u>	Balance <u>June 30</u>
System Refunding and Improvement Revenue Bonds, Series 2005, Due June 15, 2019	3.25%-5.00%	\$ 4,335,000
Bond premium		<u>104,192</u>
		<u>\$4,439,192</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	460,000	116,000	576,000
2015-2019	2,205,000	250,000	2,455,000
<b>Totals</b>	<b>\$ 4,335,000</b>	<b>1,010,387</b>	<b>5,345,387</b>

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, 2009, was \$196,613 and is recorded in other expenditures.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**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, 2009, was \$147,855 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](http://www.nmerb.org).

*Funding Policy.* Plan members are required to contribute 7.9% of their gross salary. The University is required to contribute 11.65% 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, 2009, 2008, and 2007, were \$1,575,892, \$1,407,950, and \$1,234,461, 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, 2009, 2008, and 2007 were \$8,389, \$7,465, and \$6,688, respectively.

When employing retired PERA members, Western New Mexico University must remit 10.9% of applicable wages to ERB. Western New Mexico University did not have any contributions for PERA retirees for fiscal year ending June 30, 2009.

*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 funds 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.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2009

**NOTE 6. EMPLOYEE BENEFITS (CONTINUED)**

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

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

The Retiree Health Care Act (Section 107C-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 January 1, 1998 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, 2009, 2008, and 2007 were \$199,818, \$193,008, and \$183,692, 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, 2009, 2008, and 2007 were \$1,404, \$1,355, and \$1,273, respectively.

*Incentive Retirement Policy.* As of June 30, 2009, 31 faculty members had entered into the incentive retirement plan. At June, 30, 2009, the incentive retirement payable is \$424,773 of which \$199,483 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, 2009**

**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 who 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 has been extended to June 30, 2011, 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 twenty-four months. The first installment of the Retention Bonus shall be paid upon the earlier of July 1, 2011, or the first day of the first month immediately following the termination of the Employment Agreement and separation of service of the President on or after June 30, 2010 pursuant to the Employment Agreement. If the President does not remain in the position of President for the entire term of his presidency, which terminates on June 30, 2011, he shall not have the right to any portion of the retention bonus subject to the exceptions listed in the Amendment to Employment Agreement for University President.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**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, 2009 was \$357,099.

Future minimum rental payments required under operating leases is as follows for the years subsequent to June 30, 2009:

2010	358,879
2011	317,881
2012	247,445
2013	194,477
2014	0
Thereafter	0
	<u>\$ 1,118,682</u>

Construction obligations of \$3,958,458 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, 2009 and 2008 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, 2009**

**NOTE 8. JOINT POWERS AGREEMENTS**

- (1) 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, 2008, and terminating June 30, 2009. 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. WNMU acts as fiscal agent, reporting revenues and expenses, and accepting audit responsibility. The amount of the agreement is \$303,010; \$143,120 was applicable to Western New Mexico University for the 2008-2009 Fiscal Year. Western New Mexico University contributed funds to the project totaling \$159,890.
  
- (2) 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 terminating 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 2008-2009 Fiscal Year.

**NOTE 9. PAYABLES AND ACCRUED LIABILITIES**

Payables and accrued liabilities consist of the following at June 30, 2009:

Trade payables	\$ 907,418
Accrued payroll	548,988
Accrued payroll taxes, insurance, and retirement benefits	708,981
Other accrued liabilities	<u>85,595</u>
	<u>\$ 2,250,982</u>

**NOTE 10. RESTRICTED NET ASSETS – ENABLING LEGISLATION**

A portion of the University's June 30, 2009 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>
Stadium Lighting (Tennis)	100,000	100,000
Athletic Facility Improvement	100,000	5,819
Museum Phase III	50,000	20,773
Student Memorial Renovation	<u>30,000</u>	<u>24,722</u>
	<u>\$ 280,000</u>	<u>\$ 151,314</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, 2009**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$5,673,377	\$10,768,913	\$10,768,913	\$0
<b>Revenues</b>				
State general fund appropriations	20,953,408	20,734,378	20,734,378	0
Federal revenue sources	3,989,922	5,485,630	5,202,097	(283,533)
Tuition and fees	6,404,560	6,709,981	6,985,210	275,229
Land and permanent fund	158,000	218,074	269,615	51,541
Endowments and private gifts	0	1,500	1,500	0
Other	5,558,904	7,868,987	7,333,504	(535,483)
<i>Total revenues</i>	<u>37,064,794</u>	<u>41,018,550</u>	<u>40,526,304</u>	<u>(492,246)</u>
<b>Expenditures</b>				
Instruction	13,425,637	15,218,862	14,077,929	1,140,933
Academic support	1,584,732	1,647,158	1,466,514	180,644
Student services	2,145,923	2,261,251	2,108,771	152,480
Institutional support	3,571,484	3,874,081	3,766,315	107,766
Oper. & maint. of plant	3,216,000	3,215,363	2,744,118	471,245
Research	12,500	66,994	39,111	27,883
Public service	1,659,577	3,065,835	2,857,528	208,307
Auxiliary enterprises	1,274,577	1,400,577	1,280,538	120,039
Intercollegiate athletics	2,256,148	2,506,690	2,464,954	41,736
Capital outlay	813,805	1,736,058	1,203,631	532,427
Renewal and replacements	2,866,018	4,506,769	1,210,460	3,296,309
Retirement of indebtedness	752,281	748,281	742,387	5,894
Other (student social and cultural; internal service departments; student aid and independent operations)	5,901,131	6,495,637	5,960,539	535,098
<i>Total expenditures</i>	<u>39,479,813</u>	<u>46,743,556</u>	<u>39,922,795</u>	<u>6,820,761</u>
Net Transfers	0	0	0	0
Change in net assets-budgetary basis	(2,415,019)	(5,725,006)	603,509	6,328,515
<i>Ending Fund Balance</i>	<u>\$3,258,358</u>	<u>\$5,043,907</u>	<u>\$11,372,422</u>	<u>\$6,328,515</u>

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, 2009**

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

Budget basis expenditures	\$ 39,922,795
Capital expenditures	(1,236,067)
Depreciation	1,607,957
Incentive retirement salaries	(224,026)
Scholarship allowance	(3,920,966)
Bond payments	(404,796)
Other	<u>1,102,507</u>
 GAAP basis expenses	 <u>\$ 36,847,404</u>
 Budget basis revenues	 \$ 40,526,304
Scholarship allowance	(3,920,966)
Endowment funds	<u>175,505</u>
 GAAP basis revenues	 <u>\$ 36,780,843</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, 2009**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$4,945,077	\$9,478,764	\$9,478,764	\$0
<b>Revenues</b>				
Tuition	0	0	(905)	(905)
Miscellaneous fees	509,324	567,042	590,231	23,189
Government appropriation - federal	0	0	0	0
Government appropriations-state	2,853,000	2,781,300	2,781,808	508
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	2,184,858	2,292,622	2,382,892	90,270
Other sources	1,485,925	2,251,100	1,892,258	(358,842)
<i>Total revenues</i>	7,033,107	7,892,064	7,646,284	(245,780)
<b>Expenditures</b>				
Instruction and general	0	0	0	0
Student social and cultural	496,676	584,672	424,414	160,258
Research	0	6,218	5,175	1,043
Public service	1,574,577	1,626,500	1,435,298	191,202
Internal service departments	131,011	193,521	193,369	152
Student aid	309,095	309,095	306,348	2,747
Auxiliary enterprises	1,274,577	1,400,577	1,280,538	120,039
Intercollegiate athletics	2,256,148	2,506,690	2,464,954	41,736
Independent operations	0	0	0	0
Capital outlay	813,805	1,736,058	1,203,631	532,427
Renewal and replacements	2,866,018	4,506,769	1,210,460	3,296,309
Retirement of indebtedness	752,281	748,281	742,387	5,894
<i>Total expenditures</i>	10,474,188	13,618,381	9,266,574	4,351,807
Net Transfers	1,049,979	553,290	1,200,890	647,600
Change in net assets-budgetary basis	(2,391,102)	(5,173,027)	(419,400)	4,753,627
<i>Ending Fund Balance</i>	\$2,553,975	\$4,305,737	\$9,059,364	\$4,753,627

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, 2009**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$0	\$0	\$0	\$0
<b>Revenues</b>				
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	4,790,163	4,576,652	(213,511)
Government grants - state	349,944	997,821	1,390,719	392,898
Contracts - local	430,582	615,476	35,978	(579,498)
Private grants/contracts	505,000	505,000	338,597	(166,403)
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	150,628	150,628
<i>Total restricted revenues</i>	5,061,849	6,908,460	6,492,574	(415,886)
<b>Expenditures</b>				
Instruction and general	0	0	0	0
Student social and cultural	0	0	0	0
Research	12,500	60,776	33,936	26,840
Public service	85,000	1,439,335	1,422,230	17,105
Internal service departments	0	0	0	0
Student aid	4,964,349	5,408,349	5,036,408	371,941
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>	5,061,849	6,908,460	6,492,574	415,886
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, 2009**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$728,300	\$1,290,149	\$1,290,149	\$0
<b>Revenues</b>				
Tuition	5,895,236	6,142,939	5,707,384	(435,555)
Miscellaneous fees	0	0	688,500	688,500
Government appropriation - federal	0	0	0	0
Government appropriations-state	18,100,408	17,953,078	17,952,570	(508)
Government appropriations-local	0	0	0	0
Government grants - federal	10,000	4,250	15,293	11,043
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	218,074	269,615	51,541
Private gifts	0	1,500	1,500	0
Sales & service	0	0	0	0
Other sources	293,749	287,091	353,093	66,002
<i>Total unrestricted revenues</i>	24,457,393	24,606,932	24,987,955	381,023
<b>Expenditures</b>				
Instruction	13,127,923	13,822,499	12,918,060	904,439
Academic support	1,526,420	1,588,846	1,392,951	195,895
Student services	2,078,860	2,194,188	2,036,557	157,631
Instructional support	3,503,706	3,806,303	3,682,862	123,441
Oper. & maint. of plant	3,194,422	3,193,785	2,733,726	460,059
<i>Total unrestricted expenditures</i>	23,431,331	24,605,621	22,764,156	1,841,465
Net Transfers	(1,049,979)	(553,290)	(1,200,890)	(647,600)
Change in net assets-budgetary basis	(23,917)	(551,979)	1,022,909	1,574,888
<i>Ending Fund Balance</i>	\$704,383	\$738,170	\$2,313,058	\$1,574,888

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, 2009**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$0	\$0	\$0	\$0
<b>Revenues</b>				
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	691,217	610,152	(81,065)
Government grants - state	308,846	919,877	778,108	(141,769)
Contracts -local	0	0	11,231	11,231
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>	512,445	1,611,094	1,399,491	(211,603)
<b>Expenditures</b>				
Instruction	297,714	1,396,363	1,159,869	236,494
Academic support	58,312	58,312	73,563	(15,251)
Student services	67,063	67,063	72,214	(5,151)
Institutional support	67,778	67,778	83,453	(15,675)
Oper. & maint. of plant	21,578	21,578	10,392	11,186
<i>Total expenditures</i>	512,445	1,611,094	1,399,491	211,603
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, 2009**

Name of Bank	Account Type	Balance per bank statement	Reconciling Items	Reconciled balance per books
<b>Wells Fargo, Silver City, NM</b>				
Federal funds	Checking	\$20,216	(\$20,205)	\$11
Debt service cash	Checking	478,727	(269,465)	209,262
1988 bonds	Checking	36,265	269,465	305,730
Operating	Checking	524,857	(362,551)	162,306
Operating	Sweep	1,537,257		1,537,257
<b>Wells Fargo Brokerage Services, LLC</b>				
Money market (U.S. Govt. Agency)	Money Market	742,535		742,535
<b>Bank of The Southwest, T or C, NM</b>				
Operating	Checking	1,000		1,000
<b>1st National Bank, Centennial, CO</b>				
Federal	Checking	67,479		67,479
<b>Petty Cash</b>				
	Cash on Hand			5,730
<b>PRIMARY INSTITUTION CASH</b>		<b>\$3,408,336</b>	<b>(\$382,756) *</b>	<b>\$3,031,310</b>
<b>AmBank, Silver City, NM</b>				
Operating	Checking	\$69,616	(\$554)	\$69,062
Money market	Money market	102,650	(23)	102,627
<b>Wells Fargo Bank, Silver City, NM</b>				
Operating	Checking	61,560	(255)	61,305
Wells Fargo #75051900	Money market	257,926		257,926
Wells Fargo #75051901	Money market	34,853		34,853
<b>Various investment accounts</b>				
Merrill Lynch	Money Market	14,364		14,364
SmithBarney Citigroup #338-06177-16-013	Money Market	52,550		52,550
SmithBarney Citigroup #335-02836-18-013	Money Market	2,545		2,545
<b>COMPONENT UNIT CASH</b>		<b>\$596,064</b>	<b>(\$832) *</b>	<b>\$595,232</b>
<b>*Reconciling Items:</b>				
Deposits in transit			\$1,901	
Outstanding Checks:			(341,102)	
Pending transfers out			(331,893)	(9,171)
Pending transfers in			289,670	8,339
Credit card			(1,332)	
Encoding errors			0	
			<b>(\$382,756)</b>	<b>(\$832)</b>

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, 2009

Name of Bank/Broker	Investment Type	Market Value
<b>Primary Institution</b>		
Wells Fargo, Silver City, NM Held in Wells Fargo vault	Stock	\$439,946
Wells Fargo Brokerage Services, LLC Brokered Certificates of Deposit (53 banks) Federal Home Loan Note Freddie Mac Discount Note	CDs Note Note	\$8,119,964 0 511,949
Western Bank, Silver City, NM Certificates of Deposit - 1 (Endowments)	CDs	1,814,771
State Investment Council Land Grant Permanent Fund	See Note Below	2,353,229
<b>Primary Institution Investments</b>		<b>\$13,239,859</b>
<b>Component Unit</b>		
Merrill Lynch	Fixed Income Mutual Fund Mutual Fund Stock	\$68,035 50,316 200,700
Wells Fargo #75051901	Fixed Income Mutual Fund	484,772
Wells Fargo #75051900	Fixed Income Mutual Fund Stock Real Estate US Treasury Bond Alternative Investments	1,182,563 1,993,529 26,480 19,338 0
Western Bank #11896	CD's	19,000
SmithBarney Citigroup #338-06177-16-013	CD's Stock	114,138 188,814
Held at WNMU Foundation	BP Amoco Stock	11,920
<b>Component Unit Investments</b>		<b>\$4,359,605</b>

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, 2009 financial statements of the State Investment Council.

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2009**

	Bank Balance					Total
	Bank of the Southwest T or C, NM	1st National Bank Centennial CO	Wells Fargo Silver City New Mexico	Western Bank Silver City New Mexico	Wells Fargo Brokerage Services, LLC	
<b>FUNDS ON DEPOSIT</b>						
Demand deposits	\$1,000	\$67,479	\$2,597,322	\$0	\$742,535	\$3,408,336
Certificates of Deposit	0	0	0	1,814,771	8,119,964	9,934,735
LESS Money Market (U.S. Govt. Agency)	0	0	0	0	(742,535)	(742,535)
<b>FDIC INSURANCE</b>						
Demand deposits, time deposits	(1,000)	(67,479)	(250,000)	(250,000)	(8,119,964)	(8,688,443)
<b>TOTAL UNINSURED PUBLIC FUNDS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,347,322</b>	<b>\$1,564,771</b>	<b>\$0</b>	<b>\$3,912,093</b>
<b>AMOUNT SUBJECT TO 102% COLLATERAL</b>			<b>\$1,537,257</b>			
<b>AMOUNT SUBJECT TO 50% COLLATERAL</b>			<b>\$810,065</b>			
Fifty percent collateral requirement per Section 6-10-17 NMSA for above			\$405,033	\$782,386		
One hundred two percent collateral requirements per Section 6-10-10 (H) NMSA			1,568,002	0		
<b>AMOUNT OF COLLATERAL REQUIRED</b>			<b>\$1,973,035</b>	<b>\$782,386</b>		

# WESTERN NEW MEXICO UNIVERSITY

## SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED) YEAR ENDED JUNE 30, 2009

Bank Balance				
Bank of the Southwest T or C, NM	1st National Bank Centennial CO	Wells Fargo Silver City New Mexico	Western Bank Silver City, NM	Wells Fargo Brokerage Services, LLC

**PLEGDED COLLATERAL**

Safe- keeping Location	Type of Security					
Wells Fargo Los Angeles CA	Federal Nat'l Mtg. Assoc. Conventional Loan Security CUSIP #31409UUZ6 Maturity Date - May 1, 2036	\$0	\$0	\$2,896,662	\$0	\$0
	Federal Nat'l Mtg. Assoc. Conventional Loan Security CUSIP #31410SA80 Maturity Date - May 1, 2036	0	0	859,044	0	0
	Government Nat'l Mtg. Ass Single Family Loan Security CUSIP #36202DUV1 Maturity Date - Oct. 20, 2032	0	0	85,724	0	0
	Government Nat'l Mtg. Ass Single Family Loan Security CUSIP #36225BM54 Maturity Date - Apr. 15, 2031	0	0	73,782	0	0
	Federal Home Loan Mortg Conventional Loan Security Agency #3137EABF5 Maturity Date - Feb. 25, 2011	0	0	344,000	0	0
	Federal Home Loan Bank / Conventional Loan Security Agency #3133XRFK1 Maturity Date - Dec. 10, 2010	0	0	1,146,000	0	0

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2009**

		Bank Balance				
		Bank of the Southwest T or C, NM	1st National Bank Centennial CO	Wells Fargo Silver City New Mexico	Western Bank Silver City, NM	Wells Fargo Brokerage Services, LLC
<b>PLEGDED COLLATERAL</b>						
Safe- keeping Location	Type of Security					
Wells Fargo Los Angeles CA	Municipal Bond Gadsden, New Mexico CUSIP #362550KQ7 Maturity Date - August 15, 2017	\$0	\$0	\$0	\$400,000	\$0
	Municipal Bond Clovis, New Mexico CUSIP #189387BP7 Maturity Date - June 1, 2017	0	0	0	185,000	0
	Municipal Bond Aztec, New Mexico CUSIP #054879FS5 Maturity Date - October 1, 2010	0	0	0	100,000	0
	Municipal Bond Hidalgo County, New Mexico CUSIP #429308CY3 Maturity Date - October 1, 2010	0	0	0	100,000	0
<i>Total Pledged Collateral</i>		0	0	5,405,212	785,000	0
<i>Deficit(excess) of pledged collateral over the required amount</i>		\$0	\$0	(\$3,432,177)	(\$2,614)	\$0

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 FDIC insurance was increased to \$250,000 effective 10/03/2008 and will revert to \$100,000 on January 1, 2014.

The Component Unit did not have any collateralized deposits at June 30, 2009.

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2009**

Federal Grantor - Program Title	Federal CFDA Number	State Award Number	Fiscal Year Expenses
<b><u>U.S. Department of Education</u></b>			
<b>Direct Student Financial Aid</b>			
Pell Grant Program - regular	84.063		\$3,741,713
College Work - Study Program	84.033		183,185
Supplemental Educational Opportunity Grants	84.007		94,685
Federal Family Education Loan Program	84.032		6,593,921
Perkins Student Loan Program	84.038		30,765
Title V	84.031S		0
Rehabilitation long-term training	84.129L		0
Academic Competiveness Grant	84.375		39,900
SMART Grant	84.376		33,697
<i>Total Direct Student Financial Aid</i>			<b>10,717,866</b>
<b>Pass-Through NM Department of Education</b>			
Adult Basic Education #1	84.002	2006-910-000104	153,472
Adult Basic Education #2	84.029E	2006-910-000104	48,686
Carl Perkins	84.038	017-4-2-1-855	60,276
Math & Science Partnership	84.366	06-924-0005	278,316
Title II - El Puente	84.367B	S367B060028A	189,102
<b>Pass-Through Bureau of Indian Affairs</b>			
School Improvement	84.027A	CMK0E020144	0
<i>Total Indirect U.S. Department of Education</i>			<b>729,852</b>
<b>Total U.S. Department of Education</b>			<b>\$11,447,718</b>
<b><u>Department of Health and Human Services</u></b>			
<b>Passed through NM Department of Children, Youth and Families</b>			
Title IV - E CYFD Social Work	93.658	06-690-5000--5009	\$128,790
New Mexico Works	93.558	Q00874	608,538
Growing Up Together Strong	93.995	6APHPA006019-0101	48,807
<b>Total Health and Human Services</b>			<b>\$786,135</b>
<b><u>U.S. Department of Agriculture</u></b>			
Study on Aquatic Ecosystems	10.652		<b>\$0</b>
<b><u>U.S. Department of Defense</u></b>			
METTOP	53.214A		<b>\$0</b>
<b><u>Other</u></b>			
Small Business Development	59.037		<b>\$17,729</b>
<b>Total Federal Assistance</b>			<b>\$12,251,582</b>

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

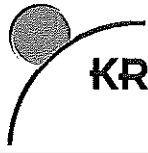
**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation.* The accompanying Schedule of Expenditures of Federal Awards includes all federal assistance to the University that had activity during 2009 or accrued revenue at June 30, 2009. 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, 2009, were \$825,049. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2009, were \$30,765. The schedule of Federal Expenditures of Federal Awards only includes an amount which represents administrative costs and additional advances, including the University's matching requirement expended for the year ended June 30, 2009.

During the fiscal year ended June 30, 2009, the University processed \$6,593,921 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, 2009, which collectively comprise the University's basic financial statements and have issued our report thereon dated November 9, 2009. 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 2009-01.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

November 9, 2009



**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, 2009. 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, 2009.

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

November 9, 2009

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**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
84.367B	Title II – El Puente

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, 2009**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS**

---

**CURRENT YEAR SIGNIFICANT DEFICIENCIES:**

**2009-01 Vacation Leave Not Calculated in Accordance With Policy**

**Statement of Condition** – The accrual of vacation leave hours in the Banner System is not being calculated in accordance with the policy.

Banner has been set up to accrue vacation as follows:

0 – 4 years	8 hours per month
5 – 9 years	10 hours per month
10+ years	12 hours per month

The University policy states that vacation is being accrued as follows:

0 – 5 years	8 hours per month
6 – 10 years	10 hours per month
11+ years	12 hours per month

**Criteria** – Vacation accruals should be in accordance with University policy.

**Cause** – Misunderstanding of the parameters in the software system when the Banner System was implemented.

**Effect** – The University has consistently been calculating and allowing too many vacation hours to be accrued.

**Recommendation** – The Banner settings should be corrected going forward to calculate in accordance with University policy.

**Management's Response** – The University has already taken the recommended action to accrue vacation in the Banner System in accordance with University Policy.

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS**

---

**CURRENT STATUS ON PRIOR YEAR FINDINGS:**

**2008-01 Vacations Not Taken by Key Employees**

Resolved and not repeated.

**2007-01 Cash – Pledged Collateral**

Resolved and not repeated.

**06-01 Disaster Recovery Plan**

Repeated with modification.

**Statement of Condition** – The University has an informal disaster recovery procedure and has tested 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 formalized their 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 continue to work on formalizing their offsite disaster recovery plan.

**Management’s Response** – The University will formalize the disaster recovery plan to include the offsite disaster recovery options to be able to timely recover systems in the event of a disaster to keep operations functioning.

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS**

---

**CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):**

**06-11 Budget Overspending**

Resolved and not repeated.

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

---

**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**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**EXIT CONFERENCE:**

The exit conference was held November 9, 2009 and was attended by the following:

**From Western New Mexico University:**

Dr. John E. Counts, President  
Julie Morales, Executive Assistant to the President  
Sherri Bays, Acting Vice President for Business Affairs  
James Hill, Regent

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

Debbie Gray, CPA, Shareholder