



**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

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# **WESTERN NEW MEXICO UNIVERSITY**

## **FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2012**

# WESTERN NEW MEXICO UNIVERSITY

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# WESTERN NEW MEXICO UNIVERSITY

OFFICIAL ROSTER  
JUNE 30, 2012

## BOARD OF REGENTS

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Dr. Jose Z. Garcia

Governor of the State of New Mexico  
Secretary for Higher Education Department

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Jerry Walz	President
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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the business-type activities of Western New Mexico University (University) and the discretely presented component unit (Western New Mexico Foundation, Inc. (Foundation)) as of and for the year ended June 30, 2012, 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, 2012, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. 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 basic 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, 2012, 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, 2012, 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  
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In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements 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. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

November 13, 2012

**WESTERN NEW MEXICO UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 JUNE 30, 2012

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

Western New Mexico University is proud to present its financial statements for fiscal year 2012. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. Please refer to the separate report titled "Western New Mexico Foundation Financial Statements" for these same three financial statements for the component unit.

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

**Statement of Net Assets**

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

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

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

	June 30		Variance
	2011	2012	
<b>Assets</b>			
Current assets	\$17,238,492	\$28,686,769	\$11,448,277
Noncurrent assets	34,903,083	38,693,049	3,789,966
<b>Total Assets</b>	<b>\$52,141,575</b>	<b>\$67,379,818</b>	<b>\$15,238,243</b>
<b>Liabilities</b>			
Current liabilities	\$5,070,942	\$5,025,159	(\$45,783)
Noncurrent liabilities	3,799,666	15,880,677	12,081,011
<b>Total Liabilities</b>	<b>\$8,870,608</b>	<b>\$20,905,836</b>	<b>(\$12,035,228)</b>
<b>Net Assets</b>			
Invested in capital assets,			
Net of debt	\$25,692,334	\$17,648,638	(\$8,043,696)
Restricted – nonexpendable	5,787,780	5,709,071	(78,709)
Restricted – expendable	5,627,291	16,502,724	10,875,433
Unrestricted	6,163,562	6,613,549	449,987
<b>Total Net Assets</b>	<b>\$43,270,967</b>	<b>\$46,473,982</b>	<b>\$3,203,015</b>

**WESTERN NEW MEXICO UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**

Total net assets of the institution were increased by \$3,203,015 as a result of current year activity. This is primarily due to an increase of \$3.8 million in noncurrent assets even though current assets increased significantly yet were more than offset by a corresponding increase in noncurrent liabilities. Substantial completion of four major construction projects resulted in an increase in capital assets of \$4.1 million. Major construction projects that were substantially completed consisted of the renovations to Castorena Hall, Chino Building, Juan Chacon Building, and the President's residence; in addition, major repairs to the museum ceiling were completed. Total additions were \$7.7 for the renovations and \$0.2 for library additions offset by lower construction activity at year-end of \$1.6 million, partial write-offs of the buildings renovations for \$1.5 million and increased depreciation of \$0.7 million. This was slightly offset by a decrease of \$0.3 million in long-term endowment investments resulting from a decrease in the State of NM land grant permanent fund along with a writedown of securities and investments to market value.

Total assets for the year increased by \$15.2 million overall with current assets increasing by \$11.4 million. This is primarily due to a cash increase of \$12.1 million, mostly attributable to the receipt of \$12.245 million in revenue bond proceeds for Mustang Village, a new student residential housing project. Cash endowments also increased slightly by \$0.1 million to allow for scholarship availability. This was slightly offset by \$0.5 million as a result of increased expenditures. Capital receivables increased \$0.2 as a result of construction projects which were approaching completion. This increase was slightly offset by lower investments of \$0.9 million as the supplemental building repair and replacement funding was depleted and to meet ongoing operating expenses.

Total liabilities increased \$12 million primarily as a result of the new revenue bond debt for Mustang Village in the amount of \$12.5 million. This was slightly offset by \$0.425 million as a result of a payment toward the principal on the existing revenue bond debt.

The increase in Net assets invested in capital assets, restricted-expendable is directly associated with the increase reflected in noncurrent assets resulting from the revenue bond proceeds received for the Mustang Village construction. Net assets were then offset by \$8.0 million in the capital assets, net of debt area due to an increase in outstanding revenue bond debt for the new Mustang Village for \$12.1 million offset by \$4.1 million for the increase in assets for the major building projects were placed in service. The \$0.5 million increase in Unrestricted net assets is due primarily to revenues slightly exceeding expenditures. The 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 continuing, economic challenging times with an extended duration period.

#### **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, 2012**

	June 30		Variance
	2011	2012	
<b>Operating Revenues</b>			
Tuition and fees	\$4,677,747	\$5,281,312	\$603,565
Federal grants and contracts	8,748,842	7,445,201	(1,303,641)
State and local grants and contracts	1,924,010	1,687,753	(236,257)
Sales and services auxiliary enterprises	2,364,307	2,665,843	301,536
Other	1,614,634	1,649,189	34,555
<i>Total Operating Revenue</i>	<u>19,329,540</u>	<u>18,729,298</u>	<u>(600,242)</u>
<b>Expenses</b>			
Instruction and general	25,644,476	25,698,843	54,367
Public service	1,102,264	768,747	(333,517)
Student aid grants and stipends	3,139,055	2,611,544	(527,511)
Auxiliary enterprises	1,428,524	1,458,259	29,735
Athletics	2,190,584	2,133,918	(56,666)
Other expenditures	545,825	2,190,048	1,644,223
Depreciation	2,343,437	2,709,178	365,741
<i>Total Expenses</i>	<u>36,394,165</u>	<u>37,570,537</u>	<u>1,176,372</u>
<i>Operating Loss</i>	<u>(17,064,625)</u>	<u>(18,841,239)</u>	<u>(1,776,614)</u>
<b>Nonoperating Revenues (Expenses)</b>			
State appropriations/special appropriations and other nonoperating revenue	17,624,957	16,804,942	(820,015)
Gain/(Loss) before other revenues and expenses	560,332	(2,036,297)	(2,596,629)
Other revenues/(expenses)	2,091,240	5,239,312	3,148,072
<i>Net Increase/(Decrease) in Net Assets</i>	<u>\$2,651,572</u>	<u>\$3,203,015</u>	<u>\$551,443</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflect an increase in net assets at the end of the year of \$3,203,015. Operating revenues were down by \$0.6 million from the previous year. Federal grants and contracts revenue was \$1.3 million lower primarily due to increased student loans from both higher tuition and the change in Pell disbursement. An additional decrease of \$0.2 million was a result of lower state and local grants and contracts revenue. Both were offset by \$0.6 million from increased tuition and fees resulting from higher enrollment and higher tuition. Auxiliary sales and services revenue also increased \$0.3 million due to higher enrollment and a 4% increase in housing and cafeteria rates. Operating expenses were higher by \$1,176,372 than the previous year. An increase of \$1.6 million in other expenditures is primarily attributable to increased plant expenditures of \$3.7 million in comparison to the prior year for the construction of the four major building renovations and higher endowment expenses of \$0.7 million. These were somewhat offset by \$2.0 million for the removal of the accumulated depreciation for those buildings written off. These increases were offset by decreased expenditures in student aid and public service. Student aid decreased \$0.5 million as a result of the change in Pell disbursement. A decrease of \$0.3 million in public service resulted from the elimination of expenditures for the Student Trade Assistant Act (TAA) and WIA Training, the Gear Up and RUS grants, and reduced expenditures in other areas due to decreased funding. The reduction to nonoperating revenues and expenses was due to both a lower original base appropriation and lower special appropriations for 2012 as a result of the State's economic condition and lower interest income based on low interest rates. Other revenues were up by \$3.1 million due to increased capital appropriations which funded the major projects in FY12.



**WESTERN NEW MEXICO UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**

**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>
	2011	2012	
Net cash used by operating activities	(\$16,297,739)	(\$18,242,531)	(\$1,944,792)
Net cash provided by noncapital financing activities	17,450,296	16,680,450	(769,846)
Net cash provided by investing activities	(687,747)	1,281,278	1,969,025
Net cash used by capital and related financing	(875,024)	12,439,524	13,314,548
Net increase (decrease) in cash and cash equivalents	(410,214)	12,158,721	12,568,935
Cash at beginning of year	2,612,164	2,201,947	(410,217)
<i>Cash at end of year</i>	<b>\$2,201,950</b>	<b>\$14,360,668</b>	<b>\$12,158,718</b>

**Capital Asset and Debt Administration**

The University had significant capital and related financing additions in the current fiscal year primarily for the new financing of the Mustang Village (Phase I). New revenue bond debt in the amount of \$12,245,000 was sold to finance the construction of the student residential apartment complex which includes two buildings containing 35 apartments with the capacity to house 175 additional students. The facility will also include a 2-bedroom Resident Director apartment. In addition, capital asset additions include near completion of renovations to Castorena Hall, Chino Building, Juan Chacon Building, final renovation of the President's residence, and structural and ceiling renovations to Fleming Museum. Most of these renovations accomplished the planned consolidation of student services. Construction in process at year-end included architectural and engineering expenses for the construction of Mustang Village and for the renovation of the Natural Science Lab at Harlan Hall. Outstanding debt used for previous construction was reduced to a principal amount of \$3,105,000. The corresponding rating from Moody's was upgraded from Aaa to A2.

**WESTERN NEW MEXICO UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**

**Budget/Actual Variances**

The original unrestricted non-I&G revenue budget was revised to reflect an increase in other sources to include the receipt of the revenue bond financing for the construction of Mustang Village and to allow for the reimbursement of the three major building renovations. The revised budget also reflected an increase in sales and services in Auxiliary Enterprises to allow for additional revenue collected for housing and for the cafeteria. Miscellaneous fees were increased to allow for additional fees collected based on the increased enrollment. Revenues were slightly under the final budget by \$0.6 million primarily due to a slight delay on final completion of the major building renovation projects yet somewhat offset by increased collections for housing, cafeteria, and miscellaneous fees. Expenses were also revised to allow for 1) plant construction of the major building renovations and start-up costs for Mustang Village; 2) completion of the President's residence renovation from Building Repair & Renovation (BR&R) funding and utilization of the remaining supplemental BR&R funding; and 3) debt issuance costs for Mustang Village. However, expenses were significantly under the final budget by \$2,543,007 primarily due to the delayed start-up of Mustang Village, the inability to achieve 100% completion on the major building renovation projects, and decreased BR&R spending. The original unrestricted non-I&G transfer budget was revised to eliminate the budgeted transfer from plant as reduced operating costs in the prior year resulted in a fund balance which was sufficient to cover operating costs. Unrestricted I&G fund revenues were marginally higher than the final budget due to the increased enrollment. Expenditures, however, were \$1,629,482 lower than the final budget primarily due to (1) lower salary and benefit costs of \$1.1 million primarily in instruction as a result of budgeted positions remaining vacant, (2) both lower salary and benefit and utility costs in the operation and maintenance of plant for \$0.3 million, and (3) both lower salary and benefit costs and a lower computer allocation cost in the student services area for \$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. In addition, restricted student aid expenditures were under the final budget due to the change in Pell disbursement.

**Comparative Analysis**

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

**WESTERN NEW MEXICO UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**

**Economic Outlook:**

The current economic outlook of the nation and local economic conditions will have a significant impact regarding future enrollment. The national and state economic conditions appear to be somewhat stabilizing with growth at the state level, while our current local economic condition is anticipated to continue to stabilize with growth as Freeport-McMoran reopened operations in early 2011 that were previously closed in 2009. This resulted in several hundred new jobs and several hundred more contractor jobs added to our local economy.

This fall semester resulted in enrollment levels slightly higher than the previous fall semester, which is a record high level of enrollment. Enrollment growth was experienced at both the undergraduate and graduate levels. Undergraduate growth resulted from an increase in almost every area, with a notable increase in first-time freshmen. Graduate enrollment continues to grow as well as on-line course offerings at both the undergraduate and graduate level. We continue to focus our efforts on future enrollment in the areas that will meet the current workforce demands, therefore, sustaining enrollment.

National and local economic conditions will continue to have an impact on funding availability from the State. Based on economic conditions within the State, there is a favorable possibility there will be a funding increase in FY14. The State's financial performance for FY12 exceeded projections and current year revenue projections remain optimistic with slight revenue growth; however, how much of the State's financial resources and slightly projected revenue growth will be invested in Higher Education is yet to be determined. The State has implemented a new funding formula that focuses more on student outcomes related to completion rather than student credit hours generated. Institutions are rewarded through the formula based on four major areas: a three-year rolling average of student credit hours completed at the end of the semester versus a census-date three weeks into the regular semester, degrees and certificates completed, degrees and certificates completed within certain workforce areas as well as closing the achievement gap by at-risk students completing degrees or certificates. Based on our previous enrollment over the last three years, it is anticipated that our funding for FY14 would increase dependent upon availability of funding from the State for Higher Education. If funding were to remain constant for Higher Education within the State, we anticipate still a slight increase in funding over FY13.

**WESTERN NEW MEXICO UNIVERSITY**

**STATEMENT OF NET ASSETS**

JUNE 30, 2012

	Primary Government	Component Unit
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$12,469,732	\$717,383
Cash endowments	427,581	0
Cash held by others	1,463,355	0
Cash restricted for other organizations	0	162,346
Accounts receivable, net of \$101,904 and \$500 allowance	142,216	300
Contract and grant receivables, net of \$0 allowance	565,544	0
Student receivables, net of \$1,864,558 allowance	1,932,356	0
Capital grant receivables	737,232	0
Due from Foundation	246,410	0
Certificates of deposit	10,464,993	0
Inventories	2,507	0
Prepaid assets	234,843	0
<i>Total current assets</i>	<b>28,686,769</b>	<b>880,029</b>
<b>Noncurrent Assets</b>		
Endowment investment	5,281,490	5,522,159
Assets Held for Sale	0	3,000
Capital assets, net of accumulated depreciation	33,411,559	238,931
<i>Total noncurrent assets</i>	<b>38,693,049</b>	<b>5,764,090</b>
<i>Total assets</i>	<b>\$67,379,818</b>	<b>\$6,644,119</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables and accrued liabilities	\$2,786,273	\$1,866
Accrued compensated absences	79,329	0
Accrued incentive retirement payable	171,554	0
Deferred revenue	1,387,792	0
Bonds payable - current portion	463,495	0
Due to Western New Mexico University	0	246,410
Deposits held for others	136,716	162,346
<i>Total current liabilities</i>	<b>5,025,159</b>	<b>410,622</b>
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	387,309	0
Accrued incentive retirement/bonus payable	193,943	0
Bonds payable - long-term portion	15,299,425	0
<i>Total noncurrent liabilities</i>	<b>15,880,677</b>	<b>0</b>
<i>Total liabilities</i>	<b>20,905,836</b>	<b>410,622</b>

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

**WESTERN NEW MEXICO UNIVERSITY**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2012**

	Primary Government	Component Unit
<b>Net Assets</b>		
Invested in capital assets, net of related debt	17,648,638	238,931
Restricted for		
Nonexpendable		
Restricted (endowment fund balances)	5,709,071	6,094,959
Expendable		
Scholarships, research, instruction and other loans	255,713	19,628
Capital projects	13,800,190	0
Debt service	2,446,821	0
Unrestricted	6,613,549	(120,021)
<i>Total net assets</i>	46,473,982	6,233,497
<b><i>Total liabilities and net assets</i></b>	<b>\$67,379,818</b>	<b>\$6,644,119</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, 2012**

	Primary Government	Component Unit
<b>Operating Revenues</b>		
Tuition and fees	\$10,887,325	\$0
Tuition discounts and allowances	(5,606,013)	0
	5,281,312	0
Federal grants and contracts	7,445,201	0
State and local grants and contracts	1,687,753	0
Private local grants and contracts	77,578	0
State land and permanent fund and investment income	263,391	14,435
Sales and services of auxiliary enterprises	2,665,843	0
Contributions	0	535,529
Other	1,308,220	(12,318)
<i>Total operating revenues</i>	18,729,298	537,646
<b>Operating Expenses</b>		
Instruction and general		
Instruction	14,976,534	0
Academic support	1,591,919	0
Student services	2,385,869	0
Institutional support	4,104,890	0
Operations and maintenance support	2,639,631	0
	25,698,843	0
Public service	768,747	0
Student aid grants and stipends	8,217,557	0
Tuition discounts and allowances	(5,606,013)	0
Auxiliary enterprises	1,458,259	0
Athletics	2,133,918	0
Other expenditures	2,190,048	0
Awards and grants to individuals	0	204,278
Operating expenses	0	198,450
Depreciation	2,709,178	14,676
<i>Total expenses</i>	37,570,537	417,404
<i>Operating (loss) income</i>	(18,841,239)	120,242

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, 2012**

	Primary Government	Component Unit
Non operating revenues (expenses)		
State appropriations	16,680,450	0
Interest and investment income	124,492	0
<i>Net nonoperating revenues</i>	16,804,942	0
<i>(Loss) income before other revenues, expenses, gains and losses</i>	(2,036,297)	120,242
Other		
Capital appropriations	5,276,140	0
Gain/(Loss) on asset disposition	(36,828)	0
<i>Net other revenues/(expenses)</i>	5,239,312	0
<i>Increase in net assets</i>	3,203,015	120,242
Net assets		
Net assets - beginning of year	43,270,967	6,113,255
<i>Net assets, end of year</i>	<b>\$46,473,982</b>	<b>\$6,233,497</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, 2012**

	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	\$10,784,608	\$0
Grants and contracts	9,247,207	0
Sales and services of educational activities	2,672,273	0
Other operating receipts	1,524,039	699,509
Payments to employees for salaries and benefits	(22,356,141)	(26,126)
Payments to suppliers	(8,332,383)	(91,267)
Loans grants issued to students and employees	(11,782,134)	(204,278)
<i>Net cash (used) provided by operating activities</i>	<i>(18,242,531)</i>	<i>377,838</i>
<b>Cash Flows From Noncapital Financing Activities</b>		
State appropriations	16,680,450	0
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(11,639,769)	(2,734,499)
Interest received on investments	12,796,555	0
Sale of investments	124,492	2,414,716
<i>Net cash provided by investing activities</i>	<i>1,281,278</i>	<i>(319,783)</i>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of capital assets	(6,851,878)	(1,577)
Disposition of capital assets	2,051,055	749
Capital appropriations received	5,077,637	0
Repayments of capital debt	(425,000)	0
Other sources	12,587,710	0
<i>Net cash used by capital and related financing activities</i>	<i>12,439,524</i>	<i>(828)</i>
<i>Net (decrease) increase in cash and cash equivalents</i>	<i>12,158,721</i>	<i>57,227</i>
Cash and cash equivalents, beginning of year	2,201,947	660,156
<b>Cash and cash equivalents, end of year</b>	<b>\$14,360,668</b>	<b>\$717,383</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, 2012

	Primary Government	Component Unit
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating (loss) income	(\$18,841,238)	\$120,242
Adjustments to reconcile operating (loss) income to net cash used by operating activities		
Depreciation expense	2,709,178	14,676
Amortization expense	(13,143)	0
Loss on asset disposition	(36,828)	14,018
Unrealized (gain)/loss on investments	0	134,470
Changes in assets and liabilities		
Receivables	(52,481)	2,413
Short-term investments	(202,394)	0
Inventories	(55)	0
Other assets	(1,692,035)	3,800
Accounts payable and accrued expenses	(47,874)	1,866
Due to Western New Mexico University	0	151,255
Grants and awards payable	0	(64,902)
Deferred revenue	(53,873)	0
Incentive Retirement/Bonus Payable	(31,755)	0
Compensated absences	19,967	0
<b><i>Net cash used by operating activities</i></b>	<b><i>(\$18,242,531)</i></b>	<b><i>\$377,838</i></b>

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

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 2011, Western New Mexico University's student enrollment was 3,356 (including its off-campus educational centers) taught by 106 faculty members. The campus consists of 49 buildings on 230 acres. Three buildings are approaching completion of major renovations. Groundbreaking for the construction of two additional student residence halls occurred in May, and the Natural Science Lab at Harlan Hall is under renovation. Close to three-fourths (74%) 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 Australia, Bosnia-Herzegovina, Brazil, Cameroon, Canada, China, France, Germany, Kenya, Mexico, New Zealand, Nigeria, Portugal, Spain, South Korea, 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 (49%), Anglo (35%), American Indian (4%), and African 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, 2012**

**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.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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.

*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.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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).

*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 2012, are shown as income in the accompanying financial statements if the session's refund period ends prior to June 30, 2012. If summer courses' refund period is not over as of June 30, 2012, 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, 2012, the accrued vacation pay amounted to \$466,638. 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.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Net 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.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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.

**NOTE 2. CASH AND INVESTMENTS**

*Cash.* The University's deposits are in demand and time deposit accounts at local financial institutions except for cash held at Bank of New York and Bank of Albuquerque by New Mexico Finance Authority for the benefit of WNMU. 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, 2012.

*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 one U.S. Government note and FDIC insured certificates of deposit at June 30, 2012.

Investments of \$15,746,483 for the University and \$5,522,159 for the Foundation at June 30, 2012 represent longer term investments in debt and equity securities, including, but not limited to, pooled or common trust funds holding such types of securities, subject to any specific limitation set forth in the applicable gift instrument.

The University's endowment securities had a write-down to market value at year-end in the amount of \$37,683. 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 to market value of \$76,869 at year end to reflect market value. If and when the securities have a market appreciation, the amount available for expenditure must be authorized by the governing board. Effective July 1, 2009, in accordance with House Bill 454, revised guidelines for the Uniform Prudent Management of Institutional Funds Act were provided for the investment and expenditure of endowment funds which requires adherence by the Foundation. The governing board authorized a spending limit of 2.5% of available portfolio funds for scholarship awards and 2% to cover administrative costs during fiscal year 2011; this remained unchanged for fiscal year 2012.

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

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

At June 30, 2012, 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	\$470,250
Certificates of Deposit	11,517,333
Endowment Securities:	
Equity Securities	805,632
Investment held by others*	2,953,268
<b><i>Total investments</i></b>	<b><u>\$15,746,483</u></b>

\*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.

	<u>Fair Value</u>
<b>Component Unit</b>	
Endowment Securities:	
U.S. Government and Agency Securities	
Federal Home Loan Mortgage	\$0
U.S. Treasury Note	23,456
Federal National Mortgage Association	0
<b><i>Total U.S. Government and Agency Securities</i></b>	<b>23,456</b>
Equity securities	3,128,229
Certificate of deposit	53,023
Bond Mutual Funds	2,317,451
<b><i>Total investments</i></b>	<b><u>\$5,522,159</u></b>

*Collateralization of Deposits.* At June 30, 2012, the recorded values of cash and time deposits with financial institutions were as follows. Bank balances (which differ from the reported values due to reconciling items) are categorized as follows:

	<u>Primary Institution</u>	<u>Component Unit</u>
Amount insured by the Federal Deposit Insurance Corporation	\$2,256,223	\$347,668
Amount insured by the Securities Investor Protection Corporation	0	536,358
Amount collateralized with securities held in the University's name by their agent	0	0
Uncollateralized (NMFA fbo WNMU)	1,463,355	0
<b><i>Total Cash and Time Deposit Bank Balances</i></b>	<b>3,719,578</b>	<b>884,026</b>
Other reconciling items on deposit accounts	10,641,090	(4,297)
<b><i>Total reported cash balance</i></b>	<b><u>\$14,360,668</u></b>	<b><u>\$879,729</u></b>



**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

*Custodial Credit Risk-Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the University's deposit may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2012, none of the University's bank balance of \$2,256,223 was uninsured and uncollateralized. When applicable, all collateralized deposits are held by the pledging bank's trust department in the University's name. The cash on deposit and held by others (NMFA) has no collateral requirements.

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

A summary of the investments and its respective maturities at June 30, 2012 and its exposure to interest rate risk:

	Fair Value	Less Than One Year	1 – 5 Years	6 – 10 Years	Greater Than 10 Years
<b>Long-Term Investments:</b>					
<b><u>Primary Institution:</u></b>					
Items not subject to interest rate risk:					
Equity Securities and Investments held by Others	\$3,758,900	\$0	\$0	\$0	\$0
Certificate of Deposit	11,517,333	7,120,845	4,392,422	0	4,066
NM Finance Authority Note	470,250	470,250	0	0	0
Federal Home Loan Notes	0	0	0	0	0
<b>Total long-term investments</b>	<b>\$15,746,483</b>	<b>\$7,591,095</b>	<b>\$4,392,422</b>	<b>\$0</b>	<b>\$4,066</b>

The University invests in equity securities in accordance with the laws of 1991, Chapter 69 of the State of New Mexico and Chapter 21, Article 1, Section 10 of the NMSA, 1978 Compilation. The brokered certificates of deposits were purchased in \$250,000 denominations at 48 separate financial institutions and are fully insured by FDIC.

	Fair Value	Less Than One Year	1 – 5 Years	6 – 10 Years	Greater Than 10 Years
<b>Long-Term Investments:</b>					
<b><u>Component Unit:</u></b>					
Items not subject to interest rate risk:					
Equity Securities and Bond Mutual Funds	\$4,872,890	\$206,118	\$252,072	\$558,699	\$3,856,001
U.S. Government Agency oblig.	596,246	108,043	341,730	0	146,473
Certificates of Deposit	53,023	0	53,023	0	0
<b>Total long-term investments</b>	<b>\$5,522,159</b>	<b>\$314,161</b>	<b>\$646,825</b>	<b>\$558,699</b>	<b>\$4,002,474</b>

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012, none of the component unit's bank balance of \$879,729 was uninsured and uncollateralized. However, there are no collateralized deposits required.

*Custodial Credit Risk-Endowment Investments.* The University has its endowments invested solely in certificates of deposit. 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, 2012, the University's endowment balance in certificates of deposit was \$1,522,590.

Of the investment in corporate stocks and bonds, the University had no custodial credit risk exposure at June 30, 2012.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3. CAPITAL ASSETS**

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

	Balance June 30, 2011	Additions	Transfers	Retirements	Balance June 30, 2012
<b>Capital assets not being depreciated:</b>					
Land	\$904,080	\$0	\$0	\$0	\$904,080
Buildings in process	1,966,338	6,081,270	(7,717,758)	0	329,850
<b>Total capital assets not being depreciated</b>	<b>\$2,870,418</b>	<b>\$6,081,270</b>	<b>(\$7,717,758)</b>	<b>\$0</b>	<b>\$1,233,930</b>
<b>Other Capital Assets:</b>					
Land improvements	\$3,375,873	\$0	\$0	\$0	\$3,375,873
Buildings	63,514,498	0	7,717,758	(1,463,471)	69,768,785
Equipment	10,581,384	512,475	0	(554,325)	10,539,534
Library materials	11,401,803	258,133	0	(33,259)	11,626,677
<b>Total other capital assets</b>	<b>88,873,558</b>	<b>770,608</b>	<b>7,717,758</b>	<b>(2,051,055)</b>	<b>95,310,869</b>
<b>Accumulated Depreciation for:</b>					
Land improvements	2,350,901	67,960	0	0	2,418,861
Buildings	41,012,090	1,834,160	0	1,463,471	41,382,779
Equipment	8,871,379	532,659	0	517,764	8,886,274
Library materials	10,203,919	274,399	0	32,992	10,445,326
<b>Total accumulated depreciation</b>	<b>62,438,289</b>	<b>2,709,178</b>	<b>0</b>	<b>2,014,227</b>	<b>63,133,240</b>
<b>Other capital assets, net</b>	<b>\$26,435,269</b>	<b>(\$1,938,570)</b>	<b>\$7,717,758</b>	<b>(\$36,828)</b>	<b>\$32,177,629</b>
<b>Capital Assets Summary:</b>					
Capital assets not being depreciated	\$2,870,418	\$6,081,270	(\$7,717,758)	\$0	\$1,233,930
Other capital assets, at cost	88,873,558	770,608	7,717,758	(2,051,055)	95,310,869
<b>Total cost of capital assets</b>	<b>91,743,976</b>	<b>6,851,878</b>	<b>0</b>	<b>(2,051,055)</b>	<b>96,544,799</b>
Accumulated depreciation	(62,438,289)	(2,709,178)	0	2,014,227	(63,133,240)
<b>Capital assets, net</b>	<b>\$29,305,687</b>	<b>\$4,142,700</b>	<b>\$0</b>	<b>(\$36,828)</b>	<b>\$33,411,559</b>

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 4. LONG-TERM LIABILITIES**

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

<b>Bonds, Notes Payable</b>	Beginning Balance	Additions	Retirements	Adjmts	Ending Balance	Amount Due in One year
Bond payable	\$3,530,000	\$12,245,000	(\$425,000)	\$0	\$15,350,000	\$440,000
Bond premium	83,353	342,710	(13,143)	0	412,920	23,495
Accrued compensated absences	446,671	337,650	(317,683)	0	466,638	79,328
<b>Total</b>	<b>\$4,060,024</b>	<b>\$12,925,360</b>	<b>(\$755,826)</b>	<b>\$0</b>	<b>\$16,229,558</b>	<b>\$542,823</b>

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

**NOTE 5. REVENUE BONDS**

Revenue bonds payable consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Balance June 30</u>
System Refunding and Improvement Revenue Bonds, Series 2005, Due June 15, 2019	3.25% - 5.00%	\$3,105,000
Bond premium		72,934
System Revenue Bonds , Series 2012, Due June 1, 2038	2.00% - 5.5%	12,245,000
Bond premium		339,986
		<b>\$15,762,920</b>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$440,000	\$622,980	\$1,062,980
2014	785,000	549,232	1,334,232
2015	810,000	519,733	1,329,733
2016	865,000	477,582	1,342,582
2017 - 2038	12,450,000	5,535,398	17,985,398
<b>Totals</b>	<b>\$15,350,000</b>	<b>\$7,704,925</b>	<b>\$23,054,925</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, 2012, was \$247,538 and is recorded in other expenditures.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012, was \$120,612 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 earning \$20,000 or less annually are required by statute to contribute 7.9% of their gross salary. Plan members earning over \$20,000 annually were required to contribute 11.15% of their gross salary in fiscal year 2012 and will be required to contribute 9.40% of their gross salary in fiscal year 2013. Western New Mexico University has been and is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, in fiscal years 2012 and 2013. In fiscal year 2012, Western New Mexico University contributed 9.15% of the gross covered salary of employees earning more than \$20,000 annually. In fiscal year 2013, the university will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and Western New Mexico University are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Western New Mexico University's contributions to ERB for the fiscal years ending June 30, 2012, 2011, and 2010, were \$1,343,944, \$1,601,596, and \$1,666,735, 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, 2012, 2011, and 2010 were \$8,364, \$10,013, and \$8,566, respectively.

When employing retired PERA members, Western New Mexico University must remit 12.4% of applicable wages to ERB when member's annual salary is less than \$20,000. The rate is 9.15% when salary is in excess of \$20,000. The University's contributions for PERA retirees were \$12,536 for fiscal year ending June 30, 2012.

*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, 2012**

**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, NM 87107.

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](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. During the fiscal year ended June 30, 2012, the statute requires each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute 0.917% of their salary. In the fiscal year ending June 30, 2013, the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.000%	1.000%

Also, employers joining the program after 1/1/98 are 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, 2012, 2011, and 2010 were \$277,402, \$251,485, and \$208,061, 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, 2012, 2011, and 2010 were \$1,651, \$1,516, and \$1,526, respectively.

*Incentive Retirement Policy.* As of June 30, 2012, 15 faculty members had entered into the incentive retirement plan. At June, 30, 2012, the incentive retirement payable is \$365,497 of which \$171,554 is payable within one year.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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.

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.* As the previous President remained in the position of President of Western New Mexico University throughout the full term of his employment agreement which ended on June 30, 2011, the University was contractually obligated to pay the previous President a retention bonus in an amount equal to the most recent annual salary of the previous President, in equal monthly installments over a period of twenty-four months. The retention bonus became fully earned as of June 30, 2010. The first installment of the Retention Bonus was paid on July 29, 2011, as amended. As of June 30, 2012, the first twelve months had been paid totaling \$116,340. The remaining twelve months are accrued in these statements as a current liability in the amount of \$116,340.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012 was \$341,738.

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

2013	\$289,585
2014	95,108
2015	59,221
2016	5,834
2017	0
Thereafter	0
	<hr/> <hr/> \$449,748

Construction obligations of \$10,897,081 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, 2011 and 2010 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, 2012**

**NOTE 8. JOINT POWERS AGREEMENTS**

- (1) Western New Mexico University and the New Mexico State Transportation Department entered into a joint powers agreement to conduct a four-day school bus inspector certification program, effective June 13, 2003, and termination is to be determined. The purpose of the agreement is to certify school bus inspectors as determined by the department director, and WNMU is to disperse stipends and per diem reimbursements to individuals who complete the certification. The agreement continues in force until rescinded or terminated by either party. WNMU acts as fiscal agent, reporting revenues and expenses, and accepting audit responsibility. The amount of the agreement is \$35,000; no funds were applicable to Western New Mexico University for fiscal year 2012.

**NOTE 9. PAYABLES AND ACCRUED LIABILITIES**

Payables and accrued liabilities consist of the following at June 30, 2012:

Trade payables	\$1,150,474
Accrued payroll	614,701
Accrued bonus, payroll taxes, insurance, and retirement benefits	768,203
Other accrued liabilities	252,895
	\$2,786,273

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

No portion of the University's June 30, 2012 restricted net assets is restricted due to enabling legislation for House Bills for Capital Projects.

**NOTE 11. SPECIAL CAPITAL OUTLAY APPROPRIATIONS**

The University has the following capital outlay appropriations as of June 30, 2012:

<u>Description</u>	<u>Appropriated Amount</u>	<u>Expended TTD</u>	<u>Encumbered Balance</u>	<u>Remaining Amount</u>	<u>Amount to Revert</u>
Chino Computing Center Renovation	\$2,000,000	\$1,374,721	\$605,279	\$20,000	\$0
Infrastructure (GO Bond)	6,000,000	4,924,932	1,075,068	0	0
Infrastructure (Sev Tax Bonds)	400,000	400,000	0	0	0
IT (Sev Tax Bonds)	400,000	0	77,610	322,390	0
<b>Grand Total</b>	<b>\$8,800,000</b>	<b>\$6,699,653</b>	<b>\$1,757,957</b>	<b>\$342,390</b>	<b>\$0</b>

SUPPLEMENTARY INFORMATION

**WESTERN NEW MEXICO UNIVERSITY**  
**UNRESTRICTED AND RESTRICTED - ALL OPERATIONS**  
**COMBINED REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES**  
**BUDGET COMPARISONS**  
**YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$7,031,560	\$11,817,269	\$11,817,269	\$0
<b>Revenues</b>				
State general fund appropriations	16,532,500	16,680,450	16,680,450	0
Federal revenue sources	7,731,169	8,238,712	7,454,057	(784,655)
Tuition and fees	8,599,757	9,473,932	9,976,372	502,440
Land and permanent fund	158,000	184,010	263,391	79,381
Endowments and private gifts	0	1,000	1,000	0
Other	7,236,852	26,417,376	24,586,314	(1,831,062)
<i>Total revenues</i>	<u>40,258,278</u>	<u>60,995,480</u>	<u>58,961,584</u>	<u>(2,033,896)</u>
<b>Expenditures</b>				
Instruction	14,609,877	16,229,562	14,891,657	1,337,905
Academic support	1,690,310	1,690,340	1,591,898	98,442
Student services	2,627,506	2,599,048	2,385,827	213,221
Institutional support	3,929,576	4,024,309	4,104,843	(80,534)
Oper. & maint. of plant	3,102,513	2,977,217	2,639,627	337,590
Research	0	253,713	144,356	109,357
Public service	375,973	1,154,156	768,704	385,452
Auxiliary enterprises	1,414,794	1,574,019	1,458,256	115,763
Intercollegiate athletics	1,966,611	2,159,920	2,132,946	26,974
Capital outlay	1,789,440	7,946,357	6,384,021	1,562,336
Renewal and replacements	791,006	1,514,528	998,683	515,845
Retirement of indebtedness	745,607	1,047,459	991,047	56,412
Other (student social and cultural; internal service departments; student aid and independent operations)	9,955,174	10,479,270	9,060,934	1,418,336
<i>Total expenditures</i>	<u>42,998,387</u>	<u>53,649,898</u>	<u>47,552,799</u>	<u>6,097,099</u>
Net Transfers	0	0	0	0
Change in net assets-budgetary basis	(2,740,109)	7,345,582	11,408,785	4,063,203
<i>Ending Fund Balance</i>	<u>\$4,291,451</u>	<u>\$19,162,851</u>	<u>\$23,226,054</u>	<u>\$4,063,203</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**  
**BUDGET COMPARISONS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2012**

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

Budget basis expenditures	\$47,552,799
Capital expenditures	(4,837,651)
Loss on asset disposition	36,828
Depreciation	658,123
Incentive retirement salaries	84,585
Scholarship allowance	(5,606,013)
Bond payments	(438,143)
Other	120,009
<hr/> <i>GAAP basis expenses</i>	<hr/> <b>\$37,570,537</b> <hr/>
Budget basis revenues	\$58,961,584
Scholarship allowance	(5,606,013)
Revenue bond proceeds	(12,587,710)
Endowment funds	42,519
<hr/> <i>GAAP basis revenues</i>	<hr/> <b>\$40,810,380</b> <hr/>

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, 2012**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$6,174,931	\$7,961,901	\$7,961,901	\$0
<b>Revenues</b>				
Tuition	0	0	0	0
Miscellaneous fees	632,265	707,399	762,747	55,348
Government appropriation - federal	0	0	0	0
Government appropriations-state	1,716,500	1,716,500	1,716,500	0
Government appropriations-local	0	0	0	0
Government grants/contracts - federal	0	0	0	0
Government grants/contracts - state	0	0	0	0
Government grants/contracts - local	0	0	0	0
Private grants/contracts	0	0	0	0
Endowments	0	0	0	0
Land and permanent fund	0	0	0	0
Private gifts	0	0	0	0
Sales & service	1,988,211	2,158,097	2,253,680	95,583
Other sources	2,446,049	19,975,925	19,255,619	(720,306)
<b>Total revenues</b>	<b>6,783,025</b>	<b>24,557,921</b>	<b>23,988,546</b>	<b>(569,375)</b>
<b>Expenditures</b>				
Instruction and general	0	0	0	0
Student social and cultural	541,928	736,170	692,765	43,405
Research	0	30,000	0	30,000
Public service	100,973	279,636	164,459	115,177
Internal service departments	110,770	154,624	150,612	4,012
Student aid	437,620	441,620	368,537	73,083
Auxiliary enterprises	1,414,794	1,574,019	1,458,256	115,763
Intercollegiate athletics	1,966,611	2,159,920	2,132,946	26,974
Independent operations	0	0	0	0
Capital outlay	1,789,440	7,946,357	6,384,021	1,562,336
Renewal and replacements	791,006	1,514,528	998,683	515,845
Retirement of indebtedness	745,607	1,047,459	991,047	56,412
<b>Total expenditures</b>	<b>7,898,749</b>	<b>15,884,333</b>	<b>13,341,326</b>	<b>2,543,007</b>
Net Transfers	(1,526,705)	820,295	820,295	0
Change in net assets-budgetary basis	(2,642,429)	9,493,883	11,467,515	1,973,632
<b>Ending Fund Balance</b>	<b>\$3,532,502</b>	<b>\$17,455,784</b>	<b>\$19,429,416</b>	<b>\$1,973,632</b>

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, 2012**

	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/contracts - federal	7,185,386	7,577,249	6,575,296	(1,001,953)
Government grants/contracts - state	1,179,970	1,751,210	1,357,915	(393,295)
Government grants/contracts - local	694,500	828,630	34,185	(794,445)
Private grants/contracts	80,000	88,000	587,445	-499,445
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
<b>Total restricted revenues</b>	<b>9,139,856</b>	<b>10,245,089</b>	<b>8,554,841</b>	<b>(1,690,248)</b>
<b>Expenditures</b>				
Instruction and general	0	0	0	0
Student social and cultural	0	0	0	0
Research	0	223,713	144,356	79,357
Public service	275,000	874,520	604,245	270,275
Internal service departments	0	0	0	0
Student aid	8,864,856	9,146,856	7,849,020	1,297,836
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
<b>Total restricted expenditures</b>	<b>9,139,856</b>	<b>10,245,089</b>	<b>8,597,621</b>	<b>1,647,468</b>
Net Transfers	0	0	42,780	42,780
Change in net assets-budgetary basis	0	0	0	0
<b>Ending Fund Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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, 2012**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$856,629	\$3,855,368	\$3,855,368	\$0
<b>Revenues</b>				
Tuition	7,041,063	7,682,779	8,037,408	354,629
Miscellaneous fees	926,429	1,083,754	1,176,217	92,463
Government appropriation - federal	0	0	0	0
Government appropriations-state	14,816,000	14,963,950	14,963,950	0
Government appropriations-local	0	0	0	0
Government grants/contracts - federal	10,000	3,000	13,869	10,869
Government grants/contracts - state	0	0	0	0
Government grants/contracts - local	0	0	0	0
Private grants/contracts	0	0	0	0
Endowments	0	0	0	0
Land and permanent fund	158,000	184,010	263,391	79,381
Private gifts	0	1,000	1,000	0
Sales & service	491,025	481,277	412,163	(69,114)
Other sources	212,837	277,435	312,075	34,640
<i>Total unrestricted revenues</i>	<u>23,655,354</u>	<u>24,677,205</u>	<u>25,180,073</u>	<u>502,868</u>
<b>Expenditures</b>				
Instruction	14,161,730	14,943,389	13,863,144	1,080,245
Academic support	1,619,939	1,617,109	1,525,253	91,856
Student services	2,560,100	2,553,472	2,344,571	208,901
Instructional support	3,859,965	3,924,281	4,014,218	(89,937)
Oper. & maint. of plant	3,078,005	2,966,960	2,628,543	338,417
<i>Total unrestricted expenditures</i>	<u>25,279,739</u>	<u>26,005,211</u>	<u>24,375,729</u>	<u>1,629,482</u>
Net Transfers	1,526,705	(820,295)	(863,074)	(42,779)
Change in net assets-budgetary basis	(97,680)	(2,148,301)	(58,730)	2,089,571
<i>Ending Fund Balance</i>	<u>\$758,949</u>	<u>\$1,707,067</u>	<u>\$3,796,638</u>	<u>\$2,089,571</u>

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, 2012**

	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/contracts - federal	535,783	658,463	864,892	206,429
Government grants/contracts - state	144,260	790,432	329,838	(460,594)
Government grants/contracts - local	0	66,370	43,393	(22,977)
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>	680,043	1,515,265	1,238,123	(277,142)
<b>Expenditures</b>				
Instruction	448,147	1,286,173	1,028,513	257,660
Academic support	70,371	73,231	66,645	6,586
Student services	67,406	45,576	41,256	4,320
Institutional support	69,611	100,028	90,625	9,403
Oper. & maint. of plant	24,508	10,257	11,084	(827)
<i>Total expenditures</i>	680,043	1,515,265	1,238,123	277,142
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, 2012**

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	\$11	\$0	\$11
Debt Service cash	Checking	315,601	(170,586)	145,015
Bond Debt Service	Checking	718,824	200,003	918,827
Operating	Checking	1,159,388	(215,142)	944,246
Operating	Sweep			-
<b>Wells Fargo Brokerage Services, LLC</b>				
Money market (U.S. Govt. Agency)	Money Market	10,821,314		10,821,314
<b>Bank of The Southwest, T or C, NM</b>				
Operating	Checking	1,029	(29)	1,000
<b>1st National Bank, Centennial, CO</b>				
Federal	Checking	61,370		61,370
<b>Bank of Albuquerque (NMFA)</b>				
	Reserve	701,612		701,612
<b>Bank of New York (NMFA)</b>				
	Reserve	761,743		761,743
<b>Petty Cash</b>				
	Cash on Hand			5,530
<b>PRIMARY INSTITUTION CASH</b>		<b>\$14,540,892</b>	<b>(\$185,754) *</b>	<b>\$14,360,668</b>
<b>AmBank, Silver City, NM</b>				
Operating	Checking	\$116,834	(\$458)	\$116,376
Money market	Money market	182,722	45	182,767
<b>Wells Fargo Bank, Silver City, NM</b>				
Operating	Checking	48,111	(3,884)	44,227
Wells Fargo #75051900	Money market	403,697		403,697
Wells Fargo #75051901	Money market	63,728		63,728
<b>Various investment accounts</b>				
SmithBarney Citigroup #338-06177-16-013	Money Market	66,379		66,379
SmithBarney Citigroup #335-02836-18-013	Money Market	2,555		2,555
<b>COMPONENT UNIT CASH</b>		<b>\$884,026</b>	<b>(\$4,297) *</b>	<b>\$879,729</b>
<b>*Reconciling Items:</b>				
Deposits in transit			\$3,345	\$0
Outstanding Checks:			(188,147)	(4,342)
Pending transfers out			(29,999)	0
Pending transfers in			29,971	45
Credit card			0	0
Returned Checks			(924)	0
			<b>(\$185,754)</b>	<b>(\$4,297)</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, 2012**

Name of Bank/Broker	Investment Type	Market Value
<b>Primary Institution</b>		
Wells Fargo, Silver City, NM Held in Wells Fargo vault	Stock	\$805,632
Wells Fargo Brokerage Services, LLC		
Brokered Certificates of Deposit (48 banks)	CDs	11,517,333
New Mexico Finance Authority	Bond	470,250
Freddie Mac Discount Note	Note	0
Federal National Mortgage Assn	Note	0
State Investment Council		
Land Grant Permanent Fund	See Note Below	2,953,268
<b><u>Primary Institution Investments</u></b>		<b><u>\$15,746,483</u></b>
<b>Component Unit</b>		
Wells Fargo #75051901	Fixed Income Mutual Fund	\$513,460
Wells Fargo #75051900	Fixed Income Mutual Fund	1,803,991
	Stock	1,859,391
	Real Asset Funds	596,222
	US Treasury Bond	23,456
	Alternative Investments	309,843
SmithBarney Citigroup #338-06177-16-013	CD's	53,023
	Stock	352,638
Held at WNMU Foundation	BP Amoco Stock	10,135
<b><u>Component Unit Investments</u></b>		<b><u>\$5,522,159</u></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, 2012 financial statements of the State Investment Council.

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2012**

	Bank Balance				Total
	Bank of the Southwest T or C, NM	1st National Bank Centennial CO	Wells Fargo Silver City New Mexico	Wells Fargo Brokerage Services, LLC	
<b>FUNDS ON DEPOSIT</b>					
Demand deposits	\$1,029	\$61,370	\$2,193,824	\$10,821,314	\$13,077,537 *
Certificates of Deposit	0	0	0	11,517,333	11,517,333
LESS Money Market (U.S. Govt. Agency)	0	0	0	(10,821,314)	(10,821,314)
<b>FDIC INSURANCE</b>					
Demand deposits, time deposits	(1,029)	(61,370)	(2,193,824)	(11,517,333)	(13,773,556)
<b>TOTAL UNINSURED PUBLIC FUNDS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<i>AMOUNT SUBJECT TO 102% COLLATERAL</i>			\$0		
<i>AMOUNT SUBJECT TO 50% COLLATERAL</i>			\$0		
Fifty percent collateral requirement per Section 6-10-17 NMSA for above			\$0		
One hundred two percent collateral requirements per Section 6-10-10 (H) NMSA			\$0		
<b>AMOUNT OF COLLATERAL REQUIRED</b>			<b>\$0</b>		

\* Does not include Cash Held By Others (New Mexico Finance Authority) with no collateral requirements  
Debt Service Funds

Bank of NY  
\$1,463,355

Note: On November 9, 2010, the FDIC issued a Final Rule implementing section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited insurance coverage of noninterest-bearing transaction accounts. Beginning December 31, 2010, through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions.

The Component Unit did not have any collateralized deposits at June 30, 2012.

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

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2012**

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		\$6,274,862
College Work - Study Program	84.033		200,000
Supplemental Educational Opportunity Grants	84.007		95,503
Student Direct Loans	84.268		11,585,068
Federal Family Education Loan Program	84.032		173,840
TEACH Grant	84.379		8,500
Perkins Student Loan Program	84.038		0
Title V	84.031S		0
Rehabilitation long-term training	84.129L		0
Academic Competiveness Grant	84.375		0
SMART Grant	84.376		0
<b><i>Total Direct Student Financial Aid</i></b>			<b>18,337,773</b>
<b>Pass-Through NM Department of Education</b>			
Adult Basic Education #1	84.002	2006-910-000104	143,386
Adult Basic Education #2	84.029E	2006-910-000104	78,935
Carl Perkins	84.038	850-000-0910-24177	101,149
Math & Science Partnership	84.366	08-924-0259	0
Title II - El Puente	84.367A	S367B060028A	180,429
ARRA Education Stabilization	84.394A	WNMU 962-1/2	0
<b>Pass-Through Bureau of Indian Affairs</b>			
School Improvement	84.027A	CMK0E020144	0
<b><i>Total Indirect U.S. Department of Education</i></b>			<b>503,899</b>
<b><i>Total U.S. Department of Education</i></b>			<b>\$18,841,672</b>
<b><u>Department of Health and Human Services</u></b>			
Nurse Education Practice and Retention	93.359		\$289,000
<b>Pass-Through NM Department of Children, Youth and Families</b>			
Title IV - E CYFD Social Work	93.658	10-690-10317	110,815
New Mexico Works	93.558	Q01393	0
Growing Up Together Strong	93.995	6APHPA006019-0101	0
ARRA CYFD Stimulus Portion	93.596	10-690-9999-01004-1	0
<b><i>Total Health and Human Services</i></b>			<b>\$399,815</b>
<b>Pass-Through (NSF)</b>			
NM Spider Wasps	47.074		\$52,891
EPSCoR Grant	47.082		\$0
<b><u>U.S. Department of Agriculture &amp; Rural Development</u></b>			
Rural Utility Service Grant	10.855		\$0
<b>Other</b>			
WIA - Training	17.246		\$64,605
Small Business Development	59.037		\$25,000
<b><i>Total Federal Assistance</i></b>			<b>\$19,383,983</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, 2012**

**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 2012 or accrued revenue at June 30, 2012. 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 U.S. Department of Education program at June 30, 2012, were \$744,096. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2012, were \$29,663. 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, 2012.

During the fiscal year ended June 30, 2012, the University processed \$11,585,068 of new loans under the Direct Guaranteed Student Loan Program, which includes Stafford Loans, Parents' Loans for Undergraduate Students, and Supplemental Loans for Students in the amount of \$173,840.



**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 (Western New Mexico Foundation, Inc. (Foundation)) as of and for the year ended June 30, 2012, which collectively comprise the University's basic financial statements and have issued our report thereon dated November 13, 2012. 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**

Management of Western New Mexico University is responsible for establishing and maintaining effective 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. 2012-01. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**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 response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Western New Mexico University's response and, accordingly, we express no opinion on it.

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 13, 2012



**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 Western New Mexico University's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Western New Mexico University's major federal programs for the year ended June 30, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.



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

### 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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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 13, 2012

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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?
- Significant deficiencies identified that are not considered to be material weaknesses?

\_\_\_\_\_ Yes     X  No

X  Yes    \_\_\_\_\_ No

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes     X  No

**FEDERAL AWARDS**

**Internal Control Over Major Programs:**

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weaknesses?

\_\_\_\_\_ Yes     X  No

\_\_\_\_\_ 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:**

CFDA Number(s)

Name of Federal Program or Cluster

84.033, 84.063, 84.007,  
84.032, 84.038, 84.268

Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B Programs:

\$300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes     X  No

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

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**CURRENT YEAR SIGNIFICANT DEFICIENCIES:**

**2012-01 Apparent Misuse of Student Government Funds – Significant Deficiency**

**Statement of Condition** – The Student Government President made unauthorized expenditures of student government funds.

**Criteria** – The student government funds are to be expended in accordance with student government documents to include the ASWNMU Constitution and by-laws.

**Cause** – Lack of good internal controls and significant use of staff P-cards without adequate oversight.

**Effect** – Depletion of student government funds for unauthorized purchases and potential theft of public funds.

**Recommendation** – Purchases and scholarship authorizations should be subject to a multi-step approval process that provides an adequate segregation of duties. Use of staff P-cards should be tightly controlled and minimal.

**Management's Response** – The University and Associated Students of Western New Mexico University (ASWNMU) have already taken the recommended action to require a multi-step approval process providing for adequate segregation of duties for both purchases and the awarding of scholarships. Any violations of this process when the P-card is involved will result in the loss of the P-card privileges.

**CURRENT STATUS ON PRIOR YEAR FINDINGS:**

None.

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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**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, 2012**

**EXIT CONFERENCE:**

The exit conference was held November 14, 2012 and was attended by the following:

**From Western New Mexico University:**

Dr. Joseph Shepard, President  
Julie Morales, Executive Assistant to the President  
Sherri Bays, Vice President for Business Affairs  
Isaac B. Brundage, Vice President for Student & Enrollment Management  
Yolee O'Connell, Comptroller  
Kelly Clark, Regent

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

Debbie Gray, CPA/Shareholder  
Thomas Baker, Staff Auditor  
Mary Salameh, Staff Auditor