STATE OF NEW MEXICO
WESTERN NEW MEXICO UNIVERSITY

Basic Financial Statements and Schedules

For the Fiscal Year Ended June 30, 2013

(With Independent Auditors' Report Thereon)

MP Group, INC

Certified Public Accountants

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M P Group, INC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector H Balderas
New Mexico Office of the State Auditor
Board of Regents
State of New Mexico Western New Mexico University
Silver City, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the State of New Mexico Western New Mexico University (the "University"), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the University's basic financial statements as listed in the table of contents. We also have audited the budget comparisons presented as supplemental information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Western New Mexico University Foundation, Inc. (the Foundation), which are included as a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the University, as of June 30, 2013, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons of the University as of June 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and additional RSI on pages 3 through 9 and 31 through 36 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 operations, 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.

Other Information

As discussed in Note 1, the financial statements of the University are intended to present the financial position, changes in financial position and cash flows of only that portion of the business type activities that are 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, 2013, and the changes in its financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the University's financial statements and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standard*, we have also issued our report dated November 7, 2013 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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* in considering the University's internal control over financial reporting and compliance.

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November 7, 2013

Overview of the Financial Statements and Financial Analysis

Western New Mexico University is proud to present its financial statements for fiscal year 2013. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Please refer to the separate report titled "Western New Mexico Foundation Financial Statements" for these same three financial statements for the component unit.

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

Statement of Net Position

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

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

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

	June 30		
	2012	**2013**	**Variance**
Assets			
Current assets	$28,686,769	$23,645,225	$(5,041,544)
Noncurrent assets	38,693,049	49,710,530	11,017,481
Total Assets	**$67,379,818**	**$73,355,755**	**$5,975,937**
Liabilities			
Current liabilities	$5,025,159	$5,379,297	$354,138
Noncurrent liabilities	15,880,677	22,437,915	6,557,238
Total Liabilities	**$20,905,836**	**$27,817,212**	**$6,911,376**
Net Position			
Invested in capital assets,			
Net of debt	$17,648,638	$20,945,935	$3,297,297
Restricted – nonexpendable	5,709,071	6,383,712	674,641
Restricted – expendable	16,502,724	13,490,561	(3,012,163)
Unrestricted	6,613,549	4,718,335	(1,895,214)
Total Net Position	**$46,473,982**	**$45,538,543**	**$(935,439)**

The total Net Position of the institution decreased $0.9 million from current year activity. This is primarily due to an increase in noncurrent liabilities resulting from the acquisition of $7.3 million in additional debt inclusive of bond premium for the third residential apartment building, Building C, of the Mustang Village Apartment Complex and the advanced refunding of the 2005 series revenue bonds; this increase was slightly offset by $0.8 million for the current portion of the existing debt for a total increase of $6.6 million. An increase in current liabilities of $0.3 million also contributed to the decrease due to increased payables from the ongoing construction at the Mustang Village Apartment Complex and increased short-term debt somewhat offset by lower unearned revenues. Net position was further decreased as current assets decreased $5.0 million primarily from a lower cash and investment balance of $2.9 million resulting from the significant spend-down of the 2012 revenue bond proceeds received in the prior year for construction of the first two residential apartment buildings at the Mustang Village Apartment Complex; this spend-down was somewhat offset by the receipt of the 2013 bond proceeds during the current year; the remaining $2.1 million decrease in current assets was attributable to lower receivables from both capital projects and an increase in the allowance for doubtful accounts. This leaves a total decrease of $11.9 million; however, it was offset by an $11.0 million increase in noncurrent assets resulting in the net decrease of $0.9 million.

Noncurrent assets increased $9.8 million for the construction in progress at the Mustang Village Apartment Complex, $1.3 million for remaining work completed on the Chino/JCB/Castorena renovations and the Harlan Hall Natural Science Lab renovation, $0.9 million for equipment, $0.5 million for museum collections, $0.2 million for library additions, and $0.1 million for land improvements (telecommunications infrastructure) offset by increased depreciation of $2.4 million. An increase of $0.6 million in long-term endowment investments resulted from an increase in the State of NM land grant permanent fund along with a market appreciation of securities and investments.

The decrease in net position invested in capital assets, restricted-expendable is directly associated with the decrease reflected in current assets resulting from the spend-down of the 2012 revenue bond proceeds received in the prior year in the amount of $9.4 million offset by a) increased funding of $4.5 million for the next phase of construction at the Mustang Village Apartment Complex and b) increased funding from the student technology fees, a decrease of $0.3 million from the BR&R expenditures, somewhat offset by increased debt service of $2.0 million for the advanced refunding for a total decrease of $3.0 million. The decrease was more than offset by the increase of $3.3 million in capital assets net of debt investments resulting from the increased construction in progress, renovation completions, and other asset increases for $12.6 million offset by increased debt of $6.9 million and increased depreciation of $2.4 million. Assets were further increased by $0.7 million due to the increase in long-term endowment investments. All these increases were more than offset by the decrease of $1.9 million in unrestricted funds.

The $1.9 million decrease in unrestricted net position is partially due to expenditures exceeding revenues. The change in net position follows the institutional philosophy to use available resources to acquire and improve all areas of the institution to better serve the instruction and public service mission of the University.

Statement of Revenues, Expenses and Changes in Net Position

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

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

	June 30		
	2012	**2013**	**Variance**
Operating Revenues			
Tuition and fees	$5,281,312	$6,427,646	$1,146,334
Federal grants and contracts	7,445,201	796,063	(6,649,138)
State and local grants and contracts	1,687,753	1,869,767	182,014
Sales and services auxiliary enterprises	2,665,843	2,909,510	243,667
Other	1,649,189	1,375,098	(274,091)
Total Operating Revenue	18,729,298	13,378,084	(5,351,214)
Expenses			
Instruction and general	25,698,843	28,260,533	2,561,690
Public service	768,747	759,289	(9,458)
Student aid grants and stipends	2,611,544	2,380,917	(230,627)
Auxiliary enterprises	1,458,259	2,145,160	686,901
Athletics	2,133,918	2,174,845	40,927
Other expenditures	2,190,048	1,886,156	(303,892)
Depreciation	2,709,178	2,952,207	243,029
Total Expenses	37,570,537	40,559,107	2,988,570
Operating Loss	(18,841,239)	(27,181,023)	(8,339,784)
Nonoperating Revenues (Expenses)			
State appropriations/special appropriations and other nonoperating revenue	16,804,942	23,842,102	7,037,160
Gain/(Loss) before other revenues and expenses	(2,036,297)	(3,338,921)	(1,302,624)
Other revenues/(expenses)	5,239,312	2,403,482	(2,835,830)
Net Increase/(Decrease) in Net Position	**$3,203,015**	**$(935,439)**	**$(4,138,454)**

The Statement of Revenues, Expenses and Changes in Net Position reflect a decrease in net position at the end of the year of $0.9 million. Operating revenues were down by $5.4 million from the previous year primarily due to decreased federal grants and contract revenue as the Pell grants were classified as nonoperating revenue in FY13. Tuition and fees revenue was $1.1 million higher with $0.8 million attributable to increased student fees based on a new fee structure assessed per credit hour for all students rather than per semester for students taking more than 6 hours on-line or on main campus; the remaining $0.3 million was attributable mainly to higher rates and slightly higher enrollment similar to the increase of $0.2 million for auxiliary sales and services. State and local grants and contract revenue was also up by $0.2 million as a result of increased grant funding. All were offset by $0.5 million from reduced federal grant funding; in addition, there was reduced funding in other sources of $0.3 million from both decreased permanent and state land income and insurance proceeds/fire relief private funding for the athletic bus insurance claim in FY2012. Operating expenses were higher by $3.0 million as compared to the previous year. An increase of $2.5 million in instruction and general expenditures is primarily attributable to increased labor and associated labor benefits from hiring of additional faculty and professional staff and providing increased compensation to existing staff with emphasis on information technology and support staff. Supplies were also higher by $1.1 million due to $0.5 million from increased bad debt expense, $0.4 million from increased operational supplies, $0.1 million from increased advertising/marketing, and $0.1 million from increased electricity costs. Expenses for auxiliary enterprises increased $0.7 million as a result of refurbishment of residence hall furnishings for $0.4 million and increased bad debt expense for $0.1 million. Depreciation expense was $0.2 million higher from increased purchases of equipment. These increases were offset by decreased expenditures in student aid and endowment expenses as a result of market appreciation. The increase in non-operating revenues and expenses was due to classifying Pell grants as non-operating for $6.1 million and a higher original base appropriation slightly offset by lower HED nursing enhancement

funding and lower interest income on investments due to low interest rates. Other revenues were down by $2.8 million due
to reduced capital appropriations as a result of the completion of the larger renovation projects in FY12 compared to FY13. **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 Position.

	June 30		
	2012	**2013**	**Variance**
Net cash used by operating activities	$(18,242,531)	$(23,222,185)	$(4,979,654)
Net cash provided by noncapital financing activities	16,680,450	23,772,103	7,091,653
Net cash provided by investing activities	1,281,278	(1,854,826)	(3,136,104)
Net cash used by capital and related financing	12,439,524	(3,418,791)	(15,858,315)
Net increase (decrease) in cash and cash equivalents	12,158,721	(4,723,699)	(16,882,420)
Cash at beginning of year	2,201,947	14,360,668	12,158,721
Cash at end of year	**$14,360,668**	**$9,636,969**	**$(4,723,699)**

Capital Asset and Debt Administration

The University had additional capital and related financing additions in the current fiscal year for additional financing for Mustang Village and refunding of the 2005 system revenue bonds; however, in comparison to the prior year, there was a decrease in capital and related financing of $15.2 million. The amount attributable to the change in revenue bond proceeds is $5.3 million. In addition, capital asset additions of $7.8 million include construction in process at year-end for the near completion of two of the residential apartments of the Mustang Village Apartment Complex for $11.5 million and increased equipment and museum collections totaling $1.4 million somewhat offset by decreased building renovations of $5.1 million in comparison to the prior year. An additional decrease in capital appropriations in the amount of $2.2 million was also the result of the decreased building renovations. Other construction in process at year-end included the architectural and engineering expenses for the renovation of Light Hall Phase II which is the new home of the College of Business under the reorganization into five main colleges. New revenue bond debt in the amount of $6,755,000 was sold with $3,543,273 for financing the construction of the third residential apartment of the Mustang Village Apartment Complex containing 12 apartments with each having four separate bedrooms with individual bathrooms with the capacity to house 48 additional students; the amount of $2,294,829 will be utilized for the refunding of the 2005 system revenue bonds and $1,089,028 is allocated for cost associated with the completion of initial construction at the Mustang Village Apartment Complex. Outstanding debt from the 2005 Series Revenue Bonds was reduced to a principal amount of $2,665,000, which the University plans to exercise the optional redemption of the remaining bonds on or after June 15, 2014, at par. The rating from Moody's is A2.

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 new revenue bond proceeds for the construction of the third residential apartment at the Mustang Village Apartment Complex and to allow for the reimbursement from the spend-down of the remaining 2008 GO Bond expenditures for the telecommunications system upgrade and the final invoicing of the three major building renovations placed in service the prior year. Other budgeted reimbursable projects included renovation of Light Hall and expenditures associated with the most recent severance tax bond and 2012 GO Bond proceeds. The revised budget also reflected both an increase in student fees and sales and services in Auxiliary Enterprises to recognize additional revenue collected by housing and the cafeteria based on the increased enrollment. Revenues were slightly under the final budget by $0.6 million primarily due to a slight delay in the Light Hall renovation and the information technology expenditures. Expenses were also revised to allow for 1) final plant construction of the major building renovations, the telecommunications system upgrade, construction of the third residential apartment at the Mustang Village Apartment Complex and various projects associated with the severance and 2012 GO bond funding; 2) increased expenditures from Building Repair & Renovation (BR&R) funding; 3) increased auxiliary expenses as a result of housing furniture refurbishments; 4) increased student social and cultural expenses to allow expenditure of the increased student fees collected; 5) increased public service expenses to allow expenditures of increased revenue and utilization of fund balances; 6) increased athletics expenses; and 7) increased research expenses for a study of the recent forest fire. However, expenses were significantly under the final budget by $7.7 million primarily due to a delay in the construction of the third apartment of the Mustang Village Apartment Complex and Light Hall renovation along with deferred expenditures from the severance and GO Bond proceeds. A general deferral of expenses also contributed, particularly in BR&R, and also in auxiliaries from a delay in the delivery of the housing refurbishments. The original unrestricted non-I&G transfer budget was revised by $2.1 million to significantly reduce 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. In addition, it was determined that an additional transfer of $0.5 million to unrestricted funds was necessary primarily for BR&R purposes to allow for necessary maintenance. Unrestricted I&G fund revenues were marginally higher than the final budget. Expenditures, however, were $1.2 million lower than the final budget primarily due to (1) lower salary and benefit costs of $1.5 million primarily in instruction as a result of budgeted positions remaining vacant and (2) both a lower computer allocation cost and travel costs for $0.3 million. Both were somewhat offset by 1) increased bad debt expense for $0.5 million and (2) higher utility costs in the operation and maintenance of plant for $0.1 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.

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 continues to stabilize.

This fall semester of 2013 resulted in enrollment levels slightly higher than the previous fall semester. 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. We are increasing our efforts to recruit in Arizona, Texas, and California. The completion of the Mustang Village Student Residential Apartment Complex results in increased capacity of campus housing available which will have an impact on our recruitment and retention efforts. An area that is creating some uncertainty is the changes to Federal student financial aid as to what impact it will have on our 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 FY15. The State's financial performance for FY13 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. The New Mexico Higher Education Department continues to adjust weights within these performance categories which impacts the funding of each component. Based on our previous enrollment over the last three years, it is anticipated that our funding for FY15 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 FY14.

Component Unit Financial Statements

Western New Mexico Foundation, Inc.(Foundation) is a component unit of the College. 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 1158, Silver City, New Mexico 88062.

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF NET POSITION

JUNE 30, 2013

	Primary Government	Component Unit
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,465,853	$ 577,778
Cash and cash equivalents-restricted	5,630,751	-
Cash endowments	329,488	-
Cash held by others-restricted	1,210,877	-
Cash restricted for other organizations	-	220,671
Accounts receivable, net of $6,228 and $0 allowance	114,257	-
Federal Contract and grant receivables, net of $0 allowance	404,344	-
State Contract and grant receivables, net of $0 allowance	159,967	-
Private Contract and grant receivables, net of $0 allowance	22,248	-
Student receivables, net of $2,659,840 allowance	502,973	-
Capital grant receivables	213,190	-
Due from WNMU Foundation	152,731	-
Short-term Investments	9,368,186	-
Short-term Investments - restricted	2,793,356	-
Inventories	3,639	-
Prepaid assets	273,365	-
Total current assets	23,645,225	798,449
Noncurrent Assets		
Accounts receivable, net of $0 allowance	122,916	-
Endowment investment	6,036,503	6,017,536
Assets Held for Sale	-	3,000
Capital assets, net of accumulated depreciation	43,551,111	14,563
Total noncurrent assets	49,710,530	6,035,099
Total assets	**$ 73,355,755**	**$ 6,833,548**
LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities		
Payables and accrued liabilities	$ 3,795,227	$ 1,200
Accrued compensated absences	90,998	-
Accrued incentive retirement payable	125,907	-
Unearned revenue	379,664	-
Bonds payable - current portion	855,525	-
Due to Western New Mexico University	-	152,731
Deposits held for others	131,976	220,671
Total current liabilities	5,379,297	374,602
Noncurrent Liabilities		
Accrued compensated absences	444,283	-
Accrued incentive retirement payable	243,981	-
Bonds payable - long-term portion	21,749,651	-
Total noncurrent liabilities	22,437,915	-
Total liabilities	27,817,212	374,602

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

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF NET POSITION

JUNE 30, 2013

	Primary Government	Component Unit
Net Position		
Net investment in capital assets	20,945,935	14,563
Restricted for		
Nonexpendable		
Restricted (endowment fund balances)	6,383,712	6,503,768
Expendable		
Scholarships, research, instruction and other loans	383,025	33,561
Capital projects	8,630,388	-
Debt service	4,477,148	-
Unrestricted	4,718,335	(92,946)
Total net position	45,538,543	6,458,946
Total liabilities and net position	**$ 73,355,755**	**$ 6,833,548**

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

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND

CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2013

	Primary Government	Component Unit
	15,064,840	
Operating Revenues		
Tuition and fees	$ 12,185,005	$ -
Tuition discounts and allowances	(5,757,359)	-
	6,427,646	-
Federal grants and contracts	796,063	-
State and local grants and contracts	1,869,767	-
Private grants and contracts	88,438	-
State land and permanent fund and investment income	190,331	504,074
Sales and services of auxiliary enterprises	2,909,510	-
Contributions	-	338,680
Other	1,096,329	(206,770)
Total operating revenues	13,378,084	635,984
Operating Expenses		
Instruction and general		
Instruction	16,249,362	-
Academic support	1,760,831	-
Student services	2,622,073	-
Institutional support	4,641,229	-
Operations and maintenance support	2,987,038	-
	28,260,533	-
Public service	759,289	-
Student aid grants and stipends	8,138,276	-
Tuition discounts and allowances	(5,757,359)	-
Auxiliary enterprises	2,145,160	-
Athletics	2,174,845	-
Other expenditures	1,886,156	-
Awards and grants to individuals	-	112,417
Operating expenses	-	295,774
Depreciation	2,952,207	2,344
Total expenses	40,559,107	410,535
Operating (loss) income	(27,181,023)	225,449

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

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2013

	Primary Government	Component Unit
Non operating revenues (expenses)		
Federal Pell Grants	6,143,527	-
State appropriations	17,628,576	-
Interest and investment income	69,999	-
Net nonoperating revenues	23,842,102	-
(Loss) income before other revenues, expenses, gains and losses	(3,338,921)	225,449
Other		
Capital appropriations	2,291,720	-
Endowment	122,304	-
Gain/(Loss) on asset disposition	(10,542)	-
Net other revenues/expenses/gains and losses	2,403,482	-
Increase/(Decrease) in net position	(935,439)	225,449
Net position		
Net position - beginning of year	46,473,982	6,233,497
Net position, end of year	**$ 45,538,543**	**$ 6,458,946**

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

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013

	Primary Government	Component Unit
Cash Flows From Operating Activities		
Adjustment to reconcile increase in net assets	6,352,424	
to net cash provided by operating activities		
Tuition and fees	$ 12,488,804	$ -
Grants and contracts	2,955,057	-
Sales and services of auxiliary enterprises	2,904,771	-
Other operating receipts	882,002	373,766
Payments to employees for salaries and benefits	(24,637,376)	(25,737)
Payments to suppliers	(5,695,985)	(142,298)
Loans and grants issued to students	(12,119,458)	(112,417)
Net cash (used) provided by operating activities	(23,222,185)	93,314
Cash Flows From Noncapital Financing Activities		
Federal Pell grants	6,143,527	-
State appropriations	17,628,576	-
Net cash provided by noncapital financing activities	23,772,103	-
Cash Flows From Investing Activities		
Purchase of investments	(12,118,119)	(1,030,201)
Interest received on investments	69,999	-
Sale of investments	10,193,294	1,017,953
Net cash used by investing activities	(1,854,826)	(12,248)
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(13,102,301)	-
Capital appropriations received	2,816,840	-
Repayments of capital debt	(440,000)	-
Revenue bond and premium proceeds	7,306,670	-
Net cash used by capital and related financing activities	(3,418,791)	-
Net (decrease) increase in cash and cash equivalents	(4,723,699)	81,066
Cash and cash equivalents, beginning of year	14,360,668	717,383
Cash and cash equivalents, end of year	**$ 9,636,969**	**$ 798,449**

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

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013

	Primary Government	Component Unit
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED)/PROVIDED BY OPERATING ACTIVITIES		
Operating (loss) income	$ (27,181,023)	$ 225,449
Adjustments to reconcile operating (loss) income to net cash (used)/provided by operating activities		
Depreciation expense	2,952,207	2,344
Amortization expense	(24,414)	-
Loss on asset disposition	-	206,770
Unrealized (gain)/loss on investments	(526,962)	(305,315)
Endowment	122,304	
Changes in assets and liabilities		
Receivables	1,407,316	300
Inventories	(1,132)	-
Other assets	(38,522)	-
Accounts payable and accrued expenses	1,120,553	(880)
Due to Western New Mexico University	-	(93,679)
Grants and awards payable	-	58,325
Unearned revenue	(1,009,206)	-
Incentive retirement payable	4,391	-
Retention bonus payable	(116,340)	
Compensated absences	68,643	-
Net cash (used) provided by operating activities	**$ (23,222,185)**	**$ 93,314**

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The mission of Western New Mexico University is to 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 2012, Western New Mexico University's student enrollment was 3,808 (including its off-campus educational centers) taught by 150 faculty members. The campus consists of 50 buildings on 230 acres. Renovation of the Natural Science Lab in Harlan Hall was completed. Two additional student residential apartment buildings, Mustang Apartment Complex – Buildings A and B, are approaching completion. Site preparation is underway for the upcoming construction of one more additional student residential apartment building at the Mustang Apartment Complex, Building C, and Light Hall Phase renovation. Close to three-fourths (71%) 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 Canada, China, France, Germany, Italy, Kenya, Mexico, South Korea, Spain, 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 (44%), Anglo (25%), 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.

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

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 applies all applicable Government Accounting Standards Board (GASB) pronouncements. The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB.

Reporting Entity. 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 agreement between the University and the Foundation stipulates that the Foundation 1) creates and encourages opportunities for individuals and organizations to invest in the support of the University; 2) manages the gifts, endowments, and income-producing properties; 3) assures donors that contributions will be utilized for the specified purpose; and 4) provides a medium for alumni and community leaders to participate. In exchange, the University covers the costs of salary and benefits as agreed upon for certain Foundation employees, provides office space for the Foundation office with access to campus facilities, and provides payroll and purchasing support. The Foundation, however, is responsible to reimburse the University for other operating expenses as well as scholarship funding.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with Governmental Accounting Standards Board Statement No. 61, the financial reporting for the University now includes the Watts Foundation, a separate entity, as a blended component unit. It is separate from the WNMU Foundation and is not significant in relation to the University's financial statements.

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

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

Procedures for Approval of Operating Budgets

1. The University submits an electronic copy approved by the University's regents to the HED's office by May 1st.

2. HED acts on approval of the budgets.

3. The budgets, as approved by the HED, are transmitted to the Budget Division of the Department of Finance and Administration for official approval prior to July 1.

In accordance with House Bill 2, in general, unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year, and are available for appropriation by the University in subsequent years.

Budgetary Control. Total expenditures or transfers may not exceed the amount shown in the approved budget. Expenditures used as the items of budgetary control are as follows: (1) unrestricted and restricted expenditures are considered separately; (2) total expenditures in instruction and general; (3) total expenditures of each budget function in current funds other than instruction and general; and (4) within the plant funds budget, the items of budgetary control are major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service. Budget revisions must be approved by the executive secretary of the HED and then by the Budget Division of the Department of Finance and Administration. Budgets are not legally binding for the component unit.

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

Investments. Certain investments such as debt and equity securities and pooled investment funds are recorded at market value in accordance with the Governmental Accounting Standards Board Statement (GASB) No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position. The carrying value of investments is based on quoted market prices.

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

Income Taxes. The University, as an instrumentality of the State of New Mexico, is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Contributions to the University are deductible by donors as provided under Section 170 of the Internal Revenue Code, and consistent with the provisions under Section 501(c)(3) of the Internal Revenue Code.

Accounts Receivable. The University records student tuition and fees and student accounts receivable at rates established at the time a student registers for classes. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Provision for uncollectible student accounts is recorded to maintain an adequate allowance for anticipated losses. The majority of the net balance of accounts receivable is expected to be collected within one year of the date of the financial statements; however, the Perkins receivable is considered long-term.

Unearned Revenue. Revenue for each academic session is reported within the fiscal year during which the session's refund period ends. Revenues for the summer session starting in May 2013, are shown as income in the accompanying financial statements if the session's refund period ends prior to June 30, 2013. If summer courses' refund period is beyond June 30, 2013, then the revenue is reported in the next fiscal year. After the refund period has expired, tuition is considered as earned and recognized as revenue. Unearned revenues also include amounts received from grant and contract sponsors that have not been earned.

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

Capital Assets. Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The Foundation had previously capitalized certain assets considered to be historical treasures and works of art; however, they were not depreciable as a result of this classification. Those items were recorded at fair market value at date of donation or acquisition and consist of pottery, paintings, and costumes. During fiscal year 2013 (FY13), the University received a significant donation consisting of a historical Mimbres pottery collection known as the Nan Ranch Collection. An appraisal was performed to determine the value of the collection before it was recorded on the University's books. This collection is considered to be a historical treasure and is therefore not depreciable. Other similar collections were transferred to the University from the Foundation based on the original request of the donor for a total value of $446,830. Other assets donated to the University through the Foundation were transferred and are being depreciated in accordance with the current policy.

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.

Capital Assets-Impairment. Capital assets are reviewed and evaluated to assess impairment. Impairment occurs when the sum of the expected cash flows from the asset is less than the book value of the asset. If this condition is met, the book value will be adjusted to reflect the impairment and it will be recorded as a loss. The University does not have any impaired assets as of June 30, 2013.

Compensated Absences. The University accounts for the accumulated vacation leave on the accrual basis in accordance with GASB 16. All permanent, full-time employees accumulate vacation time as listed below. Part-time employees are prorated proportionately. Employees may accumulate up to a maximum of 168 hours (4 weeks) vacation time during their period of employment; however, any unused vacation balance will be paid to the employee up to a maximum of 160 hours upon termination of employment. The vacation accrual for the President was negotiated at 450 hours. Accumulated unpaid vacation is accrued when incurred in the current unrestricted fund. At June 30, 2013, the accrued vacation pay amounted to $535,281. This amount does not exceed a normal year's accumulation.

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

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

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

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

Net Investment in Capital Assets. This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

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

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

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

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

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

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

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

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

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

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 federal Pell grants, state appropriations, and investment income.

NOTE 2. CASH AND INVESTMENTS

Cash. The University's deposits are in demand and time deposit accounts at local financial institutions except for cash held at Bank of New York and Bank of Albuquerque by New Mexico Finance Authority for the benefit of the University. Section 6-10-17, New Mexico Statutes, requires that depositories of the University provide collateral equal to one-half of the amount of uninsured public monies on deposit with the exception of overnight repurchase agreements which require 102 percent collateralization. All collateral is held in third-party safekeeping in the name of the University. The majority of the total deposits were invested in interest bearing accounts at June 30, 2013.

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 which requires investment in securities or other financial instruments which are not contrary to 6-8-10 NMSA 1978, existing bond covenants or other externally placed restrictions. The investments not related to the Foundation consisted primarily of various government revenue bonds and FDIC insured certificates of deposit at June 30, 2013. A portion of the cash held by the Bank of Albuquerque for the benefit of the University

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

was invested in two U.S. Treasury notes in the amount of $2,293,148 and is restricted to pay a portion of the interest on the Series 2013 bonds and the advanced refunding of the Series 2005 bonds which is expected to be legally released in June 2014.

Investments of $18,198,045 for the University and $6,017,536 for the Foundation at June 30, 2013 represent longer term investments in debt and equity securities, including, but not limited to, pooled or common trust funds holding such types of securities, subject to any specific limitation set forth in the applicable gift instrument.

The University's endowment securities had a market appreciation during the year of $526,962 which is included in the nonexpendable restricted portion of the net position. If and when the securities have a market appreciation, none of the market appreciation will be available for authorization of expenditure by the governing board.

The University's endowment investments are recorded as noncurrent assets in the Statement of Net Position. Only the corpus has been invested with earnings available for expenditures. Scholarships were awarded in the amount of $15,472; expenses for faculty development in the amount of $3,165 were also incurred. The remaining earnings remain in the nonexpendable restricted portion of the net position.

The Foundation endowment securities also had a market appreciation of $305,315 at year end to reflect market value. If and when the securities have a market appreciation, the amount available for expenditure must be authorized by the governing board. Effective July 1, 2009, in accordance with House Bill 454, revised guidelines for the Uniform Prudent Management of Institutional Funds Act were provided for the investment and expenditure of endowment funds which requires adherence by the Foundation. The governing board authorized a spending limit of 2.5% of available portfolio funds for scholarship awards and 2% to cover administrative costs during fiscal year 2011; this has remained in effect through June 30, 2013.

At June 30, 2013, the investments of the University and its component unit consisted of the following:

	Fair Value
Primary Institution	
Government-backed revenue bonds	$3,267,755
NM Finance Authority notes	357,040
U.S. Government backed notes	2,738,625
Certificates of deposit (includes Watts Foundation)	7,548,763
Endowment securities:	
Equity securities	1,018,373
Investment held by others*	3,267,489
Total investments	**$18,198,045**

The bond ratings for the government-backed revenue bonds range from Aa1 to A1.

*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.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Fair Value

Component Unit	
Endowment securities:	
U.S. Government agency obligations	$547,063
U.S. Treasury notes	21,349
Total U.S. Government and Agency Securities	$568,412
Equity securities	1,987,899
Real estate investment trust	613,367
Limited partnerships	144,402
Hedge funds	352,642
Certificate of deposit	51,133
Bond mutual funds	2,299,681
Total investments	**$6,017,536**

Collateralization of Deposits. At June 30, 2013, the recorded values of cash and time deposits with financial institutions were as follows. Bank balances (which differ from the reported values due to reconciling items) are categorized as follows:

	Primary Institution	Component Unit
Amount insured by the Federal Deposit Insurance Corporation	$289,161	$323,410
Amount insured by the Securities Investor Protection Corporation	-	477,995
Amount collateralized with securities held in the University's name by their agent	-	-
Uncollateralized	3,099,014	-
Uncollateralized (NMFA fbo WNMU)	1,210,877	-
Total Cash and Time Deposit Bank Balances	4,599,052	801,405
Other reconciling items on deposit accounts	5,037,917	(2,956)
Total reported cash balance	**$9,636,969**	**$798,449**

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, 2013, $3,099,014 of the University's bank balance of $3,388,175 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.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

A summary of the investments, the respective maturities of the investments, and the exposure to interest rate risk at June 30, 2013 is:

	Fair Value	Less Than One Year	1 – 5 Years	6 – 10 Years	Greater Than 10 Years
Long-Term Investments:					
<u>Primary Institution</u>:					
Items not subject to interest rate risk:					
Equity securities and investments held by others	$4,285,862	$-	$-	$-	$-
Certificate of deposit	7,548,763	4,304,728	3,240,053	3,982	-
Government revenue bonds	3,267,755	601,512	2,528,484	137,759	-
US Treasury notes	2,293,148	2,293,148	-	-	-
NM Finance Authority notes	357,040	-	357,040	-	-
Federal Home Loan notes	445,477	-	445,477	-	-
Total long-term investments	**$18,198,045**	**$7,199,388**	**$6,571,054**	**$141,741**	**$-**

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 increments at 32 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
Long-Term Investments:					
<u>Component Unit</u>:					
Items not subject to interest rate risk:					
Equity securities and bonds	$1,987,899	$175,586	$52,504	$547,995	$1,211,814
Mutual funds	2,299,681	-	-	-	2,299,681
REIT/ltd partnerships/hedge funds	1,110,411	-	-	-	1,110,411
U.S. Government agency oblig.	568,412	53,257	330,520	-	184,635
Certificates of deposit	51,133	51,133	-	-	-
Total long-term investments	**$6,017,536**	**$279,976**	**$383,024**	**$547,995**	**$4,806,541**

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

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

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

limitation, securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 USC Sections 80(a)-1 et. Seq., which invest only in, or whose securities are secured only by obligations of the government of the United States of America. The University's investment in mutual funds was unrated by Moody's or Standard and Poor's. The University's investment of the endowment fund is governed by a revocable trust agreement with the Foundation. The fixed income investments held in trust for the University by the Foundation have, in the aggregate, a weighted average rating of Aa1 by Moody's Investor Service.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the University or the Foundation's investment in a single type of security. The University diversifies its use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio is invested in a single security type or with a single financial institution or at a single maturity. On June 30, 2013, the Foundation had 13.21% of the portfolio in U.S. Treasuries which is allowed by the updated Investment Policy.

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, 2013, FDIC insurance in the amount of $320,454 was in place; the remaining balance of $477,995 of the component unit's bank balance of $798,449 was uninsured and uncollateralized. However, there are no collateralized deposits required.

Custodial Credit Risk-Endowment Investments. The University has its endowments invested primarily in certificates of deposit and one government revenue bond. For an investment, this is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University's custodial risk policy for University endowment funds is in accordance with the laws of 1991, Chapter 69 of the State of New Mexico and Chapter 21, Article 1, Section 10 of the NMSA, 1978 compilation. As of June 30, 2013, the University's endowment balance in certificates of deposit was $1,499,189 with $137,759 as the balance in the government revenue bond. Of the investment in corporate stocks and bonds, the University had no custodial credit risk exposure at June 30, 2013.

The Foundation's investment portfolio is covered by the Securities Investor Protection Corporation (SIPC), up to $500,000 of protection, of which $100,000 may be cash for each protected account. Additionally, the brokerage firm provides supplemental protection on eligible assets over $500,000 through underwriters, subject to aggregate loss limit of $600 million. A per client limit for cash is $1,900,000. Note that SIPC does not protect against losses in the portfolio value due to market valuations.

Foreign Currency Risk. Foreign currency risk is the potential risk of loss arising from investments denominated in foreign currencies when there are changes in exchange rates. The potential risk of loss arising from changes in exchange rates can be significant. At June 30, 2013, the University and the Foundation held no investments denominated in foreign currencies and therefore had no foreign currency risk.

NOTE 3. CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2013:

	Balance June 30,	Additions	Transfers	Retirements	Balance June 30,

	2012				2013
Capital assets not being depreciated:					
Land	$904,080	$-	$-	$-	$904,080
Collections	-	446,830	-	-	446,830
Construction in process	329,850	10,959,834	(1,117,408)	-	10,172,276
Total capital assets not being depreciated	**$1,233,930**	**$11,406,664**	**$(1,117,408)**	**$-**	**$11,523,186**
Other Capital Assets:					
Land improvements	$3,375,873	$90,461	$-	$-	$3,466,334
Buildings	69,768,785	-	1,117,408	-	70,886,193
Equipment	10,539,534	1,388,701	-	(464,170)	11,464,065
Library materials	11,626,677	216,475	-	(56,409)	11,786,743
Total other capital assets	$95,310,869	$1,695,637	$1,117,408	$(520,579)	$97,603,335
Accumulated Depreciation for:					
Land improvements	$2,418,861	$53,483	$-	$-	$2,472,344
Buildings	41,382,779	1,878,857	-	-	43,261,636
Equipment	8,886,274	752,336	-	460,574	9,178,036
Library materials	10,445,326	267,531	-	49,463	10,663,394
Total accumulated depreciation	$63,133,240	$2,952,207	$-	$510,037	$65,575,410
Other capital assets, net	**$32,177,629**	**$(1,256,570)**	**$1,117,408**	**$(10,542)**	**$32,027,925**
Capital Assets Summary:					
Capital assets not being depreciated	$1,233,930	$11,406,664	$(1,117,408)	$-	$11,523,186
Other capital assets, at cost	95,310,869	1,695,637	1,117,408	(520,579)	97,603,335
Total cost of capital assets	96,544,799	13,102,301	-	(520,579)	109,126,521
Accumulated depreciation	(63,133,240)	(2,952,207)	-	510,037	(65,575,410)
Capital assets, net	**$33,411,559**	**$10,150,094**	**$-**	**$(10,542)**	**$43,551,111**

NOTE 3. CAPITAL ASSETS (CONTINUED)

Following are the changes in capital assets for the component unit for year ended June 30, 2013:

	Balance June 30, 2012	Additions	Transfers	Retirements	Balance June 30, 2013
Capital assets not being depreciated:					
Land	$43,120	$-	$-	$(35,000)	$8,120
Collections	94,026	-	-	(94,026)	-
Total capital assets not being depreciated	**$137,146**	**$-**	**$-**	**$(129,026)**	**$8,120**
Other Capital Assets:					
Leasehold improvements	$14,668	$-	$-	$(14,668)	$-
Buildings	100,000	-	-	(100,000)	-
Software	1,448	-	-		1,448
Equipment	136,795	-	-	(51,887)	84,908
Total other capital assets	$252,911	$-	$-	$(166,555)	$86,356
Accumulated Depreciation for:					
Leasehold improvements	$4,952	$-	$-	$4,952	$-
Buildings	52,500	-	-	52,500	-
Software	994	453	-	-	1,447
Equipment	92,680	1,891	-	16,105	78,466
Total accumulated depreciation	$151,126	$2,344	$-	$73,557	$79,913
Other capital assets, net	**$101,785**	**$(2,344)**	**$-**	**$(92,998)**	**$6,443**
Capital Assets Summary:					
Capital assets not being depreciated	$137,146	$-	$-	$(129,026)	$8,120
Other capital assets, at cost	252,911	-	-	(166,555)	86,356
Total cost of capital assets	390,057	-	-	(295,581)	94,476
Accumulated depreciation	(151,126)	(2,344)	-	73,557	(79,913)
Capital assets, net	**$238,931**	**$(2,344)**	**$-**	**$(222,024)**	**$14,563**

NOTE 4. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013, is as follows:

	Beginning Balance	Additions	Retirements	Adjmts	Ending Balance	Amount Due in One year
Bond payable	$15,350,000	$6,755,000	$(440,000)	$-	$21,665,000	$810,000
Bond premium	412,920	551,670	(24,414)	-	940,176	45,525
Accrued compensated absences	466,638	417,026	(348,383)	-	535,281	90,998
Total	**$16,229,558**	**$7,723,696**	**$(812,796)**	**$-**	**$23,140,458**	**$946,523**

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

NOTE 5. REVENUE BONDS

Revenue bonds payable consisted of the following:

Description	Interest Rate	Balance June 30
System Refunding and Improvement Revenue Bonds, Series 2005, Due June 15, 2019	3.25% - 5.00%	$2,665,000
Bond premium		62,514
System Revenue Bonds , Series 2012, Due June 1, 2038	2.00% - 5.5%	12,245,000
Bond premium		326,910
System Refunding and Improvement Revenue Bonds, Series 2013, Due June 1, 2038	2.10% - 5.1%	6,755,000
Bond premium		550,752
		$22,605,176

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

	Principal	Interest	Total
2014	$810,000	$814,509	$1,624,509
2015	1,390,000	793,631	2,183,631
2016	1,470,000	733,501	2,203,501
2017	1,510,000	681,096	2,191,096
2018	1,205,000	622,696	1,827,696
2019 - 2023	3,335,000	2,567,526	5,902,526
2024 - 2028	3,310,000	1,986,639	5,296,639
2029 - 2033	3,915,000	1,377,261	5,292,261
2034 - 2038	4,720,000	569,285	5,289,285
Totals	**$21,665,000**	**$10,146,144**	**$31,811,144**

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, 2013, was $580,530 and is recorded in other expenses.

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, 2013, was $120,612 which has been charged to expenses.

Pension Plan – Educational Retirement Board. Substantially all of the University's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, other employees of state public school districts, colleges and universities, and some state agency employees) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to: ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy.
Member Contributions - Plan members whose annual salary is $20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over $20,000 are required to make the following contributions to the Plan: 9.40% of their gross salary in fiscal year 2013; 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions – In fiscal year 2013, the University was required to contribute 12.4% of the gross covered salary for employees whose annual salary is $20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than $20,000.

In the future, the University will contribute the following percentages of the gross covered salary of employees: 13.15% of gross covered salary in fiscal year 2014; and 13.9% of gross covered salary in fiscal year 2015.

The contribution requirements of plan members and the University are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The University's contributions to ERB for the fiscal years ending June 30, 2013, 2012, and 2011, were $1,741,146, $1,343,944, and $1,601,596, 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, 2013, 2012, and 2011 were $12,641, $8,364, and $10,013, respectively.

When employing retired PERA members, the University must remit 12.4% of the applicable wages to ERB when member's annual salary is less than $20,000. The rate is 10.9% when salary is in excess of $20,000. The University's contributions for PERA retirees for the fiscal years ending June 30, 2013, 2012, and 2011 were $26,786, $12,536, and $26,521, respectively.

Post-Employment Benefits – State Retiree Health Care Plan. 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.

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.

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

The Retiree Health Care Act (Section 107C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The University's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were $332,512, $277,402, and $251,485, 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, 2013, 2012, and 2011 were $2,313, $1,651, and $1,516, respectively.

NOTE 6. EMPLOYEE BENEFITS (CONTINUED)

Incentive Retirement Policy. As of June 30, 2013, 10 faculty members had entered into the incentive retirement plan. At June, 30, 2013, the incentive retirement payable is $369,888 of which $125,907 is payable within one year.

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

1. Reach the age of 60 to 69 on or before July 1 of the calendar year preceding the proposed date of incentive retirement.

2. Be employed under appointment with tenure with ten or more years of continuous service at the University.

   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:

Age*	Percentage	Normal Incentive Payout Period
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 the 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; payments for the first twelve months totaling $116,340 were made during fiscal year 2012. The final twelve months

NOTE 6. EMPLOYEE BENEFITS (CONTINUED)

of retention bonus payments totaling $116,340 were made during FY13. At June 30, 2013, all financial commitments related to the retention bonus have been met.

Alternate Retirement Plan-ERB. There is an additional alternate retirement plan administered through the Educational Retirement Board which certain employees (faculty or other professionals) employed on or after July 1, 1991, may elect instead. Contribution rates for an employee who elects to participate in the alternate plan are 9.4% of gross salary and 7.9% of gross salary for the University. The University is also required to contribute to the Educational Retirement Board an additional 3% of the gross salary of each employee so that the University's total contribution for each participating employee is 10.9% of the employee's gross salary.

Alternative Retirement Plan-403(b). In addition to the ERB plan, the University sponsors a 403(b) defined savings contribution plan for its employees. The University does not contribute or match any funds in the 403(b) savings program. The total amount of employee contributions for the fiscal year 2013 was $85,960.

Alternative Retirement Plan-457(b). In October 1997, the University's Governing Board adopted the State of New Mexico's Deferred Compensation Plan. The 457 Deferred Compensation Plan was implemented fall 1997 and provides an additional voluntary retirement savings option for all employees. Under the plan in calendar year 2012, employees may voluntarily contribute up to a maximum of $17,000 if under age 50, and up to a maximum of $22,500 if the employee is 50 or older. The University does not contribute or match any funds in the 457(b) savings program. The total amount of employee contributions for the fiscal year 2013 was $132,020.

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, 2013 was $410,955.

Future minimum rental payments required under operating leases is as follows for the years subsequent to June 30, 2013:

2014	$277,792
2015	86,166
2016	32,511
2017	22,000
	$418,469

Subsequent to June 30, 2013, the University entered into a lease agreement with Luna County for the building occupied by the WNMU Mimbres Learning Center in Deming, NM. Annual payment will be $68,000.

Construction obligations of $1,986,883 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, 2012 and 2011 are pending audits by federal and state agencies. It is the opinion of University

NOTE 7. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 an institution of higher education as 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.

NOTE 8. PAYABLES AND ACCRUED LIABILITIES

Payables and accrued liabilities consist of the following at June 30, 2013:

Accounts payables	$2,419,154
Accrued payroll	551,216
Accrued payroll taxes, insurance, and retirement benefits	554,394
Other accrued liabilities	270,463
	$3,795,227

NOTE 9. RESTRICTED NET POSITION – ENABLING LEGISLATION

No portion of the University's June 30, 2013 net position is restricted due to enabling legislation for House Bills for Capital Projects.

NOTE 10. SPECIAL CAPITAL OUTLAY APPROPRIATIONS

The University has the following capital outlay appropriations as of June 30, 2013:

Description	Appropriated Amount	Expended TTD	Encumbered Balance	Remaining Amount	Amount to Revert
Chino Computing Center Renov.	$2,000,000	$1,980,000	$-	$20,000	$-
Infrastructure (GO Bond)	6,000,000	6,000,000	-	-	-
IT (Sev Tax)	490,000	326,407	70,217	93,376	-
Infrastructure (GO Bond)	4,000,000	451,792	517,396	3,030,812	-
Light Hall/Land/Infrast. (Sev Tax)	2,500,000	15,656	-	2,484,344	-
Fleming Hall (Sev Tax)	169,500	-	-	169,500	-
IT (Sev Tax)	200,000	-	-	200,000	-
Grand Total	**$15,359,500**	**$8,773,855**	**$587,613**	**$5,998,032**	**$-**

NOTE 11. EARLY IMPLEMENTATION

The University early implemented GASB 65 as of July 1, 2012. The University expensed the 2013 Series bond issuance costs of $79,242. The University did not adjust any 2012 balances for the early implementation.

WESTERN NEW MEXICO UNIVERSITY

UNRESTRICTED AND RESTRICTED - ALL OPERATIONS

COMBINED REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES

BUDGET COMPARISONS

YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	$19,162,851	$23,226,054	$23,226,054	$ -
Revenues				
State general fund appropriations	17,554,700	17,628,576	17,628,576	-
Federal revenue sources	7,817,748	7,372,625	6,943,163	(429,462)
Tuition and fees	9,927,349	10,963,292	11,003,251	39,959
Land and permanent fund	180,000	129,394	190,331	60,937
Endowments and private gifts	-	1,000	1,000	-
Other	6,172,220	18,153,392	16,763,741	(1,389,651)
Total revenues	41,652,017	54,248,279	52,530,062	(1,718,217)
Expenditures				
Instruction	16,249,221	17,947,631	16,245,859	1,701,772
Academic support	1,752,661	1,895,391	1,760,845	134,546
Student services	2,845,870	2,850,552	2,622,167	228,385
Institutional support	4,414,006	4,075,379	4,641,375	(565,996)
Oper. & maint. of plant	3,008,153	3,029,555	2,987,076	42,479
Research	12,745	384,995	130,389	254,606
Public service	115,853	972,530	759,294	213,236
Auxiliary enterprises	1,735,736	2,258,617	2,145,187	113,430
Intercollegiate athletics	2,077,196	2,213,239	2,174,941	38,298
Capital outlay	10,605,979	19,044,975	12,521,813	6,523,162
Renewal and replacements	902,784	1,357,582	909,195	448,387
Retirement of indebtedness	1,347,221	1,370,985	1,333,617	37,368
Other (student social and cultural; internal service departments; student aid and independent operations)	10,784,491	10,321,759	9,311,377	1,010,382
Total expenditures	55,851,916	67,723,190	57,543,135	10,180,055
Net Transfers	-	-	(17,222)	(17,222)
Change in net position-budgetary basis	(14,199,899)	(13,474,911)	(5,030,295)	8,444,616
Ending Fund Balance	$4,962,952	$9,751,143	$18,195,759	$8,444,616

WESTERN NEW MEXICO UNIVERSITY
COMBINED REVENUES, EXPENDITURES,
AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS (CONTINUED)
YEAR ENDED JUNE 30, 2013

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

Budget basis expenditures	$57,543,135
Capital expenditures	(13,102,301)
Loss on asset disposition	10,542
Depreciation	2,952,207
Incentive retirement salaries	4,391
Scholarship allowance	(5,757,359)
Bond payments	(464,414)
Other	(616,552)
GAAP basis expenses	**$40,569,649**

Budget basis revenues	$52,530,062
Scholarship allowance	(5,757,359)
Revenue bond proceeds	(7,306,670)
Endowment funds	168,177
GAAP basis revenues	**$39,634,210**

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	$17,455,784	$19,429,415	$19,429,416	$1
Revenues				
Tuition	-	-	-	-
Miscellaneous fees	990,453	1,129,095	1,143,812	14,717
Government appropriation - federal	-	-	-	-
Government appropriations-state	1,725,000	1,725,000	1,725,000	-
Government appropriations-local	-	-	-	-
Government grants/contracts - federal	-	-	-	-
Government grants/contracts - state	-	-	-	-
Government grants/contracts - local	-	-	-	-
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	2,241,737	2,399,025	2,444,886	45,861
Other sources	1,256,004	11,703,309	11,023,319	(679,990)
Total revenues	6,213,194	16,956,429	16,337,017	(619,412)
Expenditures				
Instruction and general	-	-	-	-
Student social and cultural	817,379	1,141,418	975,368	166,050
Research	12,745	113,316	46,545	66,771
Public service	115,853	401,727	209,256	192,471
Internal service departments	174,926	221,909	190,526	31,383
Student aid	436,599	495,584	443,659	51,925
Auxiliary enterprises	1,735,736	2,258,617	2,145,187	113,430
Intercollegiate athletics	2,077,196	2,211,239	2,174,581	36,658
Independent operations	-	-	-	-
Capital outlay	10,605,979	19,044,975	12,521,813	6,523,162
Renewal and replacements	902,784	1,357,582	909,195	448,387
Retirement of indebtedness	1,347,221	1,370,985	1,333,617	37,368
Total expenditures	18,226,418	28,617,352	20,949,747	7,667,605
Net Transfers	(1,527,726)	1,115,984	1,349,483	233,499
Change in net position-budgetary basis	(13,540,950)	(10,544,939)	(3,263,247)	7,281,692
Ending Fund Balance	$3,914,834	$8,884,476	$16,166,169	$7,281,693

WESTERN NEW MEXICO UNIVERSITY

RESTRICTED - NON INSTRUCTION & GENERAL

REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES

BUDGET COMPARISONS

YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	$ -	$ -	$ -	$ -
Revenues				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriations-state	-	-	-	-
Government appropriations-local	-	-	-	-
Government grants/contracts - federal	7,607,748	7,010,304	6,367,816	(642,488)
Government grants/contracts - state	982,839	1,466,044	1,314,149	(151,895)
Government grants/contracts - local	635,000	537,259	44,828	(492,431)
Private grants/contracts	130,000	164,000	609,273	445,273
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	-	7,900	-	(7,900)
Other sources	-	121,823	-	(121,823)
Total restricted revenues	9,355,587	9,307,330	8,336,066	(971,264)
Expenditures				
Instruction and general	-	-	-	-
Student social and cultural	-	8,100	7,208	892
Research	-	271,679	83,844	187,835
Public service	-	570,803	550,038	20,765
Internal service departments	-	-	-	-
Student aid	9,355,587	8,454,748	7,694,616	760,132
Auxiliary enterprises	-	-	-	-
Intercollegiate athletics	-	2,000	360	1,640
Independent operations	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
Total restricted expenditures	9,355,587	9,307,330	8,336,066	971,264
Net Transfers	-	-	-	-
Change in net position-budgetary basis	-	-	-	-
Ending Fund Balance	$ -	$ -	$ -	$ -

WESTERN NEW MEXICO UNIVERSITY

UNRESTRICTED - INSTRUCTION & GENERAL

REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES

BUDGET COMPARISONS

YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	$1,707,067	$3,796,639	$3,796,638	$ (1)
Revenues				
Tuition	7,852,839	8,551,794	8,470,572	(81,222)
Miscellaneous fees	1,084,057	1,282,403	1,388,867	106,464
Government appropriation - federal	-	-	-	-
Government appropriations-state	15,829,700	15,903,576	15,903,576	-
Government appropriations-local	-	-	-	-
Government grants/contracts - federal	10,000	3,106	27,369	24,263
Government grants/contracts - state	-	-	-	-
Government grants/contracts - local	-	-	-	-
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	180,000	129,394	190,331	60,937
Private gifts	-	1,000	1,000	-
Sales & service	484,500	486,855	464,624	(22,231)
Other sources	160,911	241,075	263,434	22,359
Total unrestricted revenues	25,602,007	26,599,203	26,709,773	110,570
Expenditures				
Instruction	15,997,084	16,769,923	15,298,579	1,471,344
Academic support	1,679,430	1,835,391	1,701,515	133,876
Student services	2,800,294	2,814,102	2,587,112	226,990
Instructional support	4,313,978	3,978,970	4,547,205	(568,235)
Oper. & maint. of plant	2,997,896	3,014,805	2,975,705	39,100
Total unrestricted expenditures	27,788,682	28,413,191	27,110,116	1,303,075
Net Transfers	1,527,726	(1,115,984)	(1,366,705)	(250,721)
Change in net position-budgetary basis	(658,949)	(2,929,972)	(1,767,048)	1,162,924
Ending Fund Balance	$1,048,118	$866,667	$2,029,590	$1,162,923

WESTERN NEW MEXICO UNIVERSITY

RESTRICTED - INSTRUCTION & GENERAL

REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES

BUDGET COMPARISONS

YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	$ -	$ -	$ -	$ -
Revenues				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriation - state	-	-	-	-
Government appropriation - local	-	-	-	-
Government grants/contracts - federal	200,000	359,215	547,978	188,763
Government grants/contracts - state	281,229	955,725	555,618	(400,107)
Government grants/contracts - local	-	70,377	43,610	(26,767)
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	-	-	-	-
Other sources	-	-	-	-
Total revenues	481,229	1,385,317	1,147,206	(238,111)
Expenditures				
Instruction	252,137	1,177,708	947,280	230,428
Academic support	73,231	60,000	59,330	670
Student services	45,576	36,450	35,055	1,395
Institutional support	100,028	96,409	94,170	2,239
Oper. & maint. of plant	10,257	14,750	11,371	3,379
Total expenditures	481,229	1,385,317	1,147,206	238,111
Net Transfers	-	-	-	-
Change in net position-budgetary basis	-	-	-	-
Ending Fund Balance	$ -	$ -	$ -	$ -

WESTERN NEW MEXICO UNIVERSITY

SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS

YEAR ENDED JUNE 30, 2013

Name of Bank	Account Type	Balance per bank statement	Balance per books
Wells Fargo, Silver City, NM			
Federal funds	Checking	$11	$11
Bond Debt Service	Checking	999,216	1,145,129
Operating	Checking	2,349,788	2,049,878
Operating	Sweep		-
Wells Fargo Brokerage Services, LLC			
Money market (U.S. Govt. Agency)	Money Market	5,186,494	5,186,494
Bank of The Southwest, T or C, NM			
Operating	Checking	1,000	1,000
1st National Bank, Centennial, CO			
Federal	Checking	31,409	31,409
Bank of Albuquerque (NMFA)	Reserve	217,942	217,942
Bank of New York (NMFA)	Reserve	763,199	763,199
Bank of Albuquerque (NMFA)	Reserve	229,736	229,736
Petty Cash	Cash on Hand		5,419
Watts Foundation			
Wells Fargo, Silver City, NM			
Operating	Checking	6,752	6,752
PRIMARY INSTITUTION CASH		$9,785,547	$9,636,969
AmBank, Silver City, NM			
Operating	Checking	$147,287	$147,171
Money market	Money market	91,962	91,962
Wells Fargo Bank, Silver City, NM			
Operating	Checking	84,161	81,321
Wells Fargo #75051900	Money market	384,014	384,014
Wells Fargo #75051901	Money market	79,463	79,463
Various investment accounts			
SmithBarney Citigroup #338-06177-16-013	Money Market	7,061	7,061
SmithBarney Citigroup #335-02836-18-013	Money Market	7,457	7,457
COMPONENT UNIT CASH		$801,405	$798,449

WESTERN NEW MEXICO UNIVERSITY

SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

Name of Bank/Broker	Investment Type	Market Value
Primary Institution		
Wells Fargo, Silver City, NM		
Held in Wells Fargo vault	Stock	$1,018,373
Wells Fargo Brokerage Services, LLC		
Brokered Certificates of Deposit (32 banks)	CDs	7,435,070
New Mexico Finance Authority	Bond	357,040
Government Revenue Bonds (17)	Bond	3,267,755
Federal Home Loan Bank	Bond	445,477
State Investment Council		
Land Grant Permanent Fund	See Note Below	3,267,489
Bank of Albuquerque		
U.S. Treasury (2)	Notes	2,293,148
Watts Foundation		
Bank of America, Silver City, NM	CD	113,693
Certificate of Deposit		
Primary Institution Investments		**$18,198,045**
Component Unit		
Wells Fargo #75051901	Fixed income mutual fund	$506,690
Wells Fargo #75051900	Fixed income mutual fund	1,802,961
	Stock	2,198,156
	Real estate investment trust	613,367
	US Treasury bond	21,349
	Hedge funds	352,642
Charles Schwab #1453-1100	CD's	51,133
	Stock	17,231
	Limited partnership funds	144,402
Charles Schwab #7807-1329	Stock	299,170
Held at WNMU Foundation	BP Amoco stock	10,435
Component Unit Investments		**$6,017,536**

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, 2013 financial statements of the State Investment Council.

WESTERN NEW MEXICO UNIVERSITY

SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

	Bank Balance					
	Bank of America (Watts) Silver City, NM	Bank of the Southwest T or C, NM	1st National Bank Centennial CO	Wells Fargo Silver City New Mexico	Wells Fargo Brokerage Services, LLC	Total
FUNDS ON DEPOSIT						
Demand deposits	$6,752	$1,000	$31,409	$3,349,015	$5,186,494	$8,574,670 *
Certificates of Deposit	0	0	0	0	7,435,070	7,435,070
LESS Money Market (U.S. Govt. Agency)	0	0	0	0	(5,186,494)	(5,186,494)
FDIC INSURANCE						
Demand deposits, time deposits	(6,752)	(1,000)	(31,409)	(250,000)	(7,435,070)	(7,724,231)
TOTAL UNINSURED PUBLIC FUNDS	$0	$0	$0	$3,099,015	$0	$3,099,015

	Bank of NY
* Does not include Cash Held By Others (New Mexico Finance Authority) with no collateral requirements Debt Service Funds (restricted)	$ 1,210,877

AMOUNT SUBJECT TO 102% COLLATERAL	$0
AMOUNT SUBJECT TO 50% COLLATERAL	$3,099,015
Fifty percent collateral requirement per Section 6-10-17 NMSA for above	$1,549,507
One hundred two percent collateral requirements per Section 6-10-10 (H) NMSA	$0
AMOUNT OF COLLATERAL REQUIRED	$1,549,507

PLEDGED COLLATERAL

Safe-keeping Location	Type of Security						
			0	0	0	0	0
Total Pledged Collateral			0	0	0	0	0
Deficit/(excess) of pledged collateral over the required amount			$0	$0	$1,549,507	$0	$1,549,507

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

WESTERN NEW MEXICO UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

Federal Grantor - Program Title	Federal CFDA Number	State Award Number	Fiscal Year Expenses
U.S. Department of Education			
Direct Student Financial Aid			
Pell Grant Program - Pell	84.063		$6,143,527
College Work-Study Program - FWS	84.033		200,000
Supplemental Educational Opportunity Grants - SEOG	84.007		94,685
Student Direct Loans	84.268		11,996,331
TEACH Grant	84.379		2,500
Total Direct Student Financial Aid			18,437,043
Pass-Through NM Department of Education			
Adult Basic Education-Basic Grants to States - ABE#1	84.002		131,680
Adult Basic Education-Basic Grants to States - ABE#2	84.002		77,797
Career and Technical Education-Basic Grants to States - Carl Perkins	84.048	850-000-0910-24177	59,612
Improving Teacher Quality State Grants (A) - Title II-El Puente	84.367A	950-1200	78,962
Total Indirect U.S. Department of Education			348,051
Total U.S. Department of Education			**$18,785,094**
Department of Health and Human Services			
Nurse Education, Practice Quality and Retention Grants - Practice and Retention	93.359	D11HP14633	$169,114
Pass-Through NM Department of Children, Youth and Families			
Foster Care Title IV-E - Title IV-E Social Work	93.658	10-690-10317	109,310
Job Opportunities for Low-Income Individuals - Assistance Program	93.593	11-690-11861	208,072
Total Health and Human Services			**$486,496**
Pass-Through (NSF)			
Biological Sciences - NSF-NM Spider Wasps	47.074	1146875	**$42,399**
Other			
Employment and Training Assistance Dislocated Workers - WIA Training	17.264		**$11,091**
Small Business Development Centers - Small Business Development	59.037	9-603001-Z-0032-21	**$21,689**
Total Federal Assistance			**$19,346,769**

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 2013 or accrued revenue at June 30, 2013. This schedule has been prepared on the accrual basis of accounting. Revenues are recorded for financial reporting purposes when the University has met the qualifications for the respective program.

NOTE 2. STUDENT FINANCIAL ASSISTANCE

The University administers the Perkins Loan Program. Total outstanding loans under this US Department of Education program at June 30, 2013, were $749,275. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2013, were $26,933. 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, 2013.

During the fiscal year ended June 30, 2013, the University processed $11,996,331 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 $201,506.

MP Group, INC
Certified Public Accountants

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*

Hector H Balderas
New Mexico Office of the State Auditor
Board of Regents
State of New Mexico Western New Mexico University
Silver City, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities. We did not audit the financial statements of Western New Mexico University Foundation, Inc. (the Foundation), which are included as a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University basic financial statements, and the related budgetary comparisons of the University, presented as supplemental information, and have issued our report thereon dated November 7, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, including item 2013-01.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-5 and 2013-6.

The University's Response to Findings

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

Purpose of this Report

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

MPGroup, LLC

November 7, 2013

MP Group, INC
Certified Public Accountants

Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Hector H Balderas
New Mexico Office of the State Auditor
Board of Regents
State of New Mexico Western New Mexico University
Silver City, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the State of New Mexico Western New Mexico University's (the "University") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the University's major federal programs for the year ended June 30, 2013. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-02. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the University, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-2 through 2013-04 that we consider to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

MPGrey, Le

November 7, 2013

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report issued:	**Unmodified**
Internal Control Over Financial Reporting:	
• Material weakness(es) identified?	____ Yes _X_ No
• Significant deficiencies identified that are not considered to be material weaknesses?	_X_ Yes ____ No
Noncompliance material to financial statements noted?	____ Yes _X_ No

FEDERAL AWARDS

Internal Control Over Major Programs:	
• Material weakness(es) identified?	____ Yes _X_ No
• Significant deficiencies identified that are not considered to be material weaknesses?	_X_ Yes ____ 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?	_X_ Yes ____ 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

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2012-01 Apparent Misuse of Student Government Funds

Resolved.

CURRENT YEAR

2013-01 Cash and Cash Equivalents (Significant Deficiency)

Statement of Condition – During our test work of cash and cash equivalents, our confirmation response from Wells Fargo indicated there was no collateral pledged to cover the funds deposited in various accounts held by WNMU.

Criteria – The State of New Mexico has established policies and procedures (Section 6-10-17 NMSA 1978) that require the University to have a minimum of 50% collateralization of all uninsured funds deposited with a financial institution.

Cause – After the unlimited FDIC coverage provided under the Dodd-Frank Wall Street Reform and Consumer Protection Act expired on December 31, 2012, WNMU failed to take the necessary measures to have their deposited funds properly collateralized in accordance with state regulation.

Effect – There is a credit risk for deposits which is the risk that in the event of a bank failure, the University's deposit may not be returned. Also, the University is not in compliance with the state collateralization requirements in accordance with Section 6-10-17 NMSA 1978.

At the end of the fiscal year 2013, there was a total of $3,349,015 in the deposited funds at Wells Fargo. Of that amount, $3,099,015 was uninsured which would require a total of $1,549,507 to be collateralized. At year end, there were no securities pledged to collateralize the University uninsured funds.

Recommendation – Personnel responsible for managing the Wells Fargo deposited funds should coordinate with the financial institution and undertake the necessary procedures to have the uninsured funds collateralized at the required 50% rate.

Management's Response – The University immediately executed the necessary Depository Pledge Agreement and funds are currently properly collateralized. Procedures have been put in place to ensure that proper collateralization is maintained on deposits.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

2013-02 Title IV (Significant Deficiency)

Department of Education
CFDA #: 84.007, 84.033, 84.037, 84.038, 84.063, 84.268, and 84.379
Program: Student Financial Assistance Cluster
Pass Through Entity – N/A

Statement of Condition – During our compliance test work of the Student Financial Assistance cluster, we noted the following instances of non-compliance in our tests:

- One student did not receive an award letter prior to the start of school.
- The University incorrectly reported the Institutional Capital Contribution on the Fiscal Operations Report and Application to Participate (FISAP) for the Federal Perkins Loan.
- The University did not meet the 33% requirement for matching under the Perkins Loan Program by approximately $13,000.

Criteria – Per CFR 34.668.165, (a) Notices. (1) Before an institution disburses Title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each Title IV, HEA program, and how and when those funds will be disbursed. If those funds include Direct Loan or FFEL Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans.

ED Form 646-1, Page A-5, Line 29.2 requires the institution to report its Institutional capital Contribution on the FISAP. The amount reported did not agree with the general ledger.

Per CFR 34.674.8 subsection (ii), the ICC match must be equal to at least one-third of the FCC described in paragraph (a)(1) of this section in award year 1994-95 and succeeding award years.

Cause – The Financial Aid Office communicates to students through the University's email system. The student's email account was not set up before the student received the financial aid.

The Financial Aid Office was unaware of the difference between the general ledger and the FISAP report and the University was not aware of the matching requirement.

Effect – The University was not in compliance with the Student Financial Assistance requirements and regulations set by the U.S. Department of Education. The instance occurred in one of the forty students tested. The University awarded financial aid to approximately 2,200 students during the fiscal year.

Recommendation – Personnel responsible for issuing award letters to students should verify that all eligible students are notified through electronic or paper form. In addition, the University needs to ensure that controls are in place to monitor the ICC for matching requirements as well as reporting the information correctly on the FISAP.

Management's Response – A procedure has been implemented to verify that an award letter has been sent to the student.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The staff member will run a report daily for students that have been awarded and will verify that the award letter has been sent to each student.

The Institutional Capital Contributions reported on the Fiscal Operations Report and Application to Participated (FISAP) will be reviewed and corrections will be submitted by the December 15, 2013 deadline.

The Financial Aid Office is now aware of the matching requirement, and the required match has been corrected as of June 30, 2013.

2013-03 National Student Loan Data System (NSLDS) (Significant Deficiency)

Department of Education
CFDA #: 84.038 and 84.268
Program: Student Financial Assistance Cluster
Pass Through Entity – N/A

Statement of Condition – During our test work of internal controls over reporting requirements with the National Student Loan Data System (NSLDS), we noted the following instances of non-compliance in sample of forty:

- One student graduated but was shown as withdrawn on NSLDS.
- One student attended school in the summer of 2013 but was not updated as enrolled until September 2013.

Criteria – The University is required to report changes in the student's enrollment status, the effective date of the status, and an anticipated completion date. Changes in enrollment to less than half-time, graduated, or withdrawn must be reported within 30 days to NSLDS. (34 CFR 685.309 FDL)

Cause – These errors were due to ineffective monitoring of student enrollment status or untimely enrollment changes to the system.

Effect – The University was not in compliance with federal reporting requirements for five of the 40 tested of the 254 students in the population.

Recommendation – The Student Financial Aid Office should review the NSLDS website on a routine basis to ensure that status updates sent from the Federal Clearinghouse on the University's behalf are properly reflected in the NSLDS system.

Management's Response – Procedures will be implemented to update the National Clearing House for any student that has been awarded a degree after the main file has been submitted. An additional summer enrollment report will be submitted in September for any enrollment changes for summer.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-04 Timely Filing of Data Collection Form (Significant Deficiency)

Statement of Condition – As part of our Single Audit testing, we reviewed the University's reporting of the Data Collection Form to the Federal Clearinghouse and noted the University did not file their data collection form for the audit of June 30, 2011 until May 2013.

Criteria – Sec. 320(a) of OMB Circular A-133 requires the reporting package and data collection form to be submitted to the Federal Audit Clearinghouse the earlier of 30 days after the reports are received from the auditors or nine months after the end of the audit period, unless a longer period of time was agreed to in advance by the cognizant or oversight agency for audit.

Cause – The University did not ensure the Data Collection Form had been filed timely.

Effect – The University was not in compliance with the OMB reporting requirement which could affect future funding.

Recommendation – The University needs to ensure the Data Collection Form is filed within a timely manner.

Management's Response – Procedures have been put in place to ensure the timely filing of the Data Collection Form.

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

None

SECTION IV – OTHER FINDINGS

2013-05 Work-Study Program (Other)

Statement of Condition – During our test work of internal controls over Federal work-study compliance, we noted the following instances of non-compliance from our sample of twenty-five:

1) Five students exceed either the 15 hours per week or 30 hours for two weeks and no pre-authorizations from the supervisor could be located.
2) Twenty-five authorizations which consist of emails from the departments approving the hiring of the student were not retained by the University. All timesheets of the students had approval from their department supervisor.

Criteria – 1) Per the University's Student Employee Handbook, the student is not allowed to exceed 15 hours per week or 30 hours every two weeks without a pre-authorization. 2) Accounting controls require the University maintain approvals of hiring even though departments are approving the timesheets.

Cause – 1) The University used the timesheets as a preapproval process. 2) The University did not retain the emails of the departments approving the hiring of the student.

Effect – 1) The University is not in compliance with their internal policies and procedures regarding the limits on the number of hours a student could work. 2) Verification of department personnel approving the hiring of a student may not be completed if both parties do not retain the electronic verification.

Recommendation – 1) The University needs to ensure that students who exceed the hours stated in the Student Handbook have pre-authorizations completed. 2) The University could retain the emails approving the student for hiring within their department electronically in a file or print the email and retain in paper form.

Management's Response – 1) A student's award is based on a 15 hour work week throughout each semester and encumbered accordingly. However, there are events which may arise where it may be necessary for the student to work in excess of the 15 hours when the student's class schedule permits. Subsequent weeks will be adjusted accordingly in order for the student to not exceed the awarded hours for the semester. Hours will be closely monitored by the Work-study Counselor to ensure they are not exceeded. As a result, the Student Employee Handbook will be amended accordingly.

2) A work-study contract has been developed for utilization. The supervisor and student will complete, sign, and return it to the Work-study Counselor in the Financial Aid Office who will retain it for future reference.

2013-06 Travel and Per Diem (Other)

SECTION IV – OTHER FINDINGS

Statement of Condition – One of the 25 travel and per diem expenditures tested for compliance was not processed in accordance with the University's policies. One employee was overpaid $45 for per diem.

Criteria – The University's travel and per diem policy allows that each employee receive $45 of per diem for each full day the employee is traveling out of state. A lessor amount is provided for partial days.

Cause – The employee who calculated the amount of per diem on behalf of the traveling employee made a mathematical error.

Effect – The University is not in compliance with its internal policies and procedures regarding travel and per diem which led to an over-expenditure of funds.

Recommendation – The University should consider having the traveling employee request the amount of per diem necessary for the trip. This will allow the employee who accounts for the expenditure to audit the request thereby providing a review process.

Management's Response – The University will implement procedures to ensure per diem calculations are performed according to policy.

EXIT CONFERENCE:

The exit conference was held November 7, 2013 and was attended by the following:

From Western New Mexico University:

Dr. Joseph Shepard, President
Sherri Bays, Vice President for Business Affairs
Isaac B. Brundage, Vice President for Student & Enrollment Management
Yolee O'Connell, Comptroller
Tony P. Trujillo, Regent President
Janice Baca-Argabright, Regent Vice President

From MP Group, Inc.:

Scott Peck, CPA
Michael L. Moore, CPA