

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

Basic Financial Statements and Schedules
For the Fiscal Year Ended June 30, 2014
(With Independent Auditors' Report Thereon)



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JUNE 30, 2014

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OFFICIAL ROSTER
JUNE 30, 2014

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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, 2014, 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, 2014, 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 of the University, as of June 30, 2014, 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, 2014, 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 5 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2014, 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*, and the other schedules required by Section 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standard*, we have also issued our report dated November 13, 2014 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.



November 13, 2014

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Overview of the Financial Statements and Financial Analysis

Western New Mexico University is proud to present its financial statements for fiscal year 2014. 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		
	2013	2014	Variance
Assets			
Current assets	\$23,645,225	\$17,497,137	\$(6,148,088)
Noncurrent assets	49,710,530	53,544,308	3,833,778
Total Assets	\$73,355,755	\$71,041,445	\$(2,314,310)
Liabilities			
Current liabilities	\$5,379,297	\$5,259,282	\$(120,015)
Noncurrent liabilities	22,437,915	21,977,593	(460,322)
Total Liabilities	\$27,817,212	\$27,236,875	\$(580,337)
Net Position			
Invested in capital assets, Net of debt	\$20,945,935	\$24,757,674	\$3,811,739
Restricted – nonexpendable	6,383,712	6,624,629	240,917
Restricted – expendable	13,490,561	8,880,222	(4,610,339)
Unrestricted	4,718,335	3,542,045	(1,176,290)
Total Net Position	\$45,538,543	\$43,804,570	\$(1,733,973)

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

The total net position of the institution decreased \$1.7 million from current year activity. A review of the Statement of Net Position will reveal the decrease was primarily due to a decrease in total net assets of \$2.3 million, resulting from a decrease in restricted cash of \$6.0 million, attributable to the completion of Mustang Village Phase I. This decrease was offset by an increase in noncurrent capital assets of \$3.8 million as land, buildings, and library materials were capitalized. Unrestricted cash and cash equivalents are zero at June 30, 2014. The funds for various construction projects are included in restricted cash until they are expended. The University has various receivables due on general obligation bond projects in process. The unrestricted cash balance will be replenished as payment is received on billings sent to the State for reimbursement.

The total liabilities for the year decreased by \$0.6 million, primarily in the payables and accrued liabilities area. 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		
	2013	2014	Variance
Operating Revenues			
Tuition and fees	\$6,427,646	\$7,852,078	\$1,424,432
Federal grants and contracts	796,063	898,264	102,201
State and local grants and contracts	1,869,767	2,147,628	277,861
Sales and services auxiliary enterprises	2,909,510	3,324,054	414,544
Other	1,375,098	1,657,999	282,901
<i>Total Operating Revenue</i>	<u>13,378,084</u>	<u>15,880,023</u>	<u>2,501,939</u>
Expenses			
Instruction and general	28,260,533	30,921,219	2,660,686
Public service	759,289	704,290	(54,999)
Student aid grants and stipends	2,380,917	2,763,210	382,293
Auxiliary enterprises	2,145,160	1,983,203	(161,957)
Athletics	2,174,845	2,262,502	87,657
Other expenditures	1,886,156	3,468,157	1,582,001
Depreciation	2,952,207	3,514,016	561,809
<i>Total Expenses</i>	<u>40,559,107</u>	<u>45,616,597</u>	<u>5,057,490</u>
<i>Operating Loss</i>	(27,181,023)	(29,736,574)	(2,555,551)
Nonoperating Revenues (Expenses)			
State appropriations/special appropriations and other nonoperating revenue	23,842,102	25,566,831	1,724,729
Gain/(Loss) before other revenues and expenses	(3,338,921)	(4,169,743)	(830,822)
Other revenues/(expenses)	2,403,482	2,435,770	32,288
<i>Net Increase/(Decrease) in Net Position</i>	<u>\$(935,439)</u>	<u>\$(1,733,973)</u>	<u>\$(798,534)</u>

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

The Statement of Revenues, Expenses and Changes in Net Position reflect a decrease in the change of net position at the end of the year of \$0.8 million. Overall, operating revenues were up by \$2.5 million with an approximate \$1.4 increase in tuition and fees. Non-operating revenues increased \$1.7 million primarily in governmental appropriations from the state. The \$2.5 million increase in revenues was more than offset by the \$5 million increase in expenditures. This increase is most notable in salaries and benefits owing to the hiring of several vacated positions. Other increases in expenditures were seen in construction and debt service owing to the continued efforts to improve campus life for students with completed construction of Mustang Village Apartment Complex and ongoing renovations of Light Hall Phase II and the Student Rec Center.

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		Variance
	2013	2014	
Net cash used by operating activities	\$(23,222,185)	\$(27,597,312)	\$(4,375,127)
Net cash provided by noncapital financing activities	23,772,103	25,361,626	1,589,523
Net cash provided by investing activities	(1,854,826)	3,333,399	5,188,225
<u>Net cash used by capital and related financing</u>	<u>(3,418,791)</u>	<u>(5,534,630)</u>	<u>(2,115,839)</u>
Net increase (decrease) in cash and cash equivalents	(4,723,699)	(4,436,917)	286,782
Cash at beginning of year	14,360,668	9,636,969	(4,723,699)
<i>Cash at end of year</i>	<i>\$9,636,969</i>	<i>\$5,200,052</i>	<i>\$(4,436,917)</i>

Capital Asset and Debt Administration

The University had significant capital asset additions for facilities in the current fiscal year. The new construction of Mustang Village Apartment Complex was completed during the year. The third phase of renovations to Light Hall was started during the year and is anticipated to be completed within the first quarter of fiscal year 2016. Renovations were also started on the Student Recreation Center during the year and are anticipated to be completed within fiscal year 2015. Outstanding debt used for previous construction was reduced to a principal amount of \$18.7 million through defeasance of the 2005 Series. New construction debt was recognized with the 2014 revenue bonds proceeds with a principal amount of \$3.1 million. Additional information is available in the notes to the financial statements.

Budget/Actual Variances

The actual unrestricted I&G revenue was higher than the final budget by \$0.4 million. This favorable variance was owing to a slight increase in tuition and fee revenue. Although student credit hours decreased, the tuition rate increase passed by the board of regents in May 2013 is attributable to the increase. The favorable variance in expenditures within I&G of \$1.4 million contributed to the variance of the I&G actual transfer of \$1.9 million, as the fund balance was sufficient to cover operating costs and a transfer from plant was not necessary. This decrease in expenditure was largely in the line item for salary & wages, benefits, and supplies & expense. The variance of non-I&G revenue from other sources was due to less capital outlay expenditures than projected. Restricted revenue and expenditure budgets were revised to reflect grants obtained by the

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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 lower than the previous fall semester. Enrollment growth was experienced at both the undergraduate and graduate levels of online programs; however, there was a decrease in both undergraduate and graduate face to face enrollment. 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 FY16. The State's financial performance for FY14 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 impact the funding of each component. Based on our previous enrollment over the last three years, it is anticipated that our funding for FY16 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 FY15.

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, 2014

	Primary Government	Component Unit
ASSETS		
Current Assets		
Cash and cash equivalents	\$ -	\$ 748,022
Cash and cash equivalents-restricted	3,847,479	-
Cash endowments	516,676	-
Cash held by others-restricted	835,897	-
Cash restricted for other organizations	-	264,712
Accounts receivable, net of \$6,228 allowance	258,043	-
Federal Contract and grant receivables, net of \$0 allowance	204,617	-
State Contract and grant receivables, net of \$0 allowance	185,797	-
Private Contract and grant receivables, net of \$0 allowance	23,164	-
Student receivables, net of \$2,659,840 allowance	746,284	-
Capital grant receivables	955,456	-
Due from WNMU Foundation	123,400	-
Short-term Investments	9,534,947	-
Inventories	4,384	-
Prepaid assets	260,993	-
<i>Total current assets</i>	17,497,137	1,012,734
Noncurrent Assets		
Accounts receivable, net of \$0 allowance	131,126	-
Endowment investment	6,107,953	7,011,052
Assets Held for Sale	-	1,500
Capital assets, net of accumulated depreciation	47,305,229	12,672
<i>Total noncurrent assets</i>	53,544,308	7,025,224
Total assets	\$ 71,041,445	\$ 8,037,958
LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities		
Payables and accrued liabilities	\$ 2,697,948	\$ 988
Accrued compensated absences	96,311	-
Accrued incentive retirement payable	206,526	-
Unearned revenue	767,804	-
Bonds payable - current portion	1,355,067	-
Due to Western New Mexico University	-	123,400
Deposits held for others	135,626	264,712
<i>Total current liabilities</i>	5,259,282	389,100
Noncurrent Liabilities		
Accrued compensated absences	470,225	-
Accrued incentive retirement payable	314,880	-
Bonds payable - long-term portion	21,192,488	-
<i>Total noncurrent liabilities</i>	21,977,593	-
Total liabilities	27,236,875	389,100

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

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF NET POSITION

JUNE 30, 2014

	Primary Government	Component Unit
Net Position		
Net investment in capital assets	24,757,674	12,673
Restricted for		
Nonexpendable		
Restricted (endowment fund balances)	6,624,629	7,571,041
Expendable		
Scholarships, research, instruction and other loans	383,025	102,878
Capital projects	6,448,566	-
Debt service	2,048,631	-
Unrestricted	3,542,045	(37,734)
<i>Total net position</i>	43,804,570	7,648,858
<i>Total liabilities and net position</i>	\$ 71,041,445	\$ 8,037,958

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, 2014

	Primary Government	Component Unit
Operating Revenues		
Tuition and fees	\$ 13,642,403	\$ -
Tuition discounts and allowances	(5,790,325)	-
	7,852,078	-
Federal grants and contracts	898,264	-
State and local grants and contracts	1,989,401	-
Private grants and contracts	158,227	-
State land and permanent fund and investment income	194,891	776,909
Sales and services of auxiliary enterprises	3,324,054	-
Contributions	-	349,499
Other	1,463,108	441,525
<i>Total operating revenues</i>	15,880,023	1,567,933
Operating Expenses		
Instruction and general		
Instruction	17,657,043	-
Academic support	2,115,492	-
Student services	2,868,861	-
Institutional support	5,180,633	-
Operations and maintenance support	3,099,190	-
	30,921,219	-
Public service	704,290	-
Student aid grants and stipends	8,553,535	-
Tuition discounts and allowances	(5,790,325)	-
Auxiliary enterprises	1,983,203	-
Athletics	2,262,502	-
Other expenditures	3,468,157	-
Awards and grants to individuals	-	98,937
Operating expenses	-	277,193
Depreciation	3,514,016	1,891
<i>Total expenses</i>	45,616,597	378,021
<i>Operating (loss) income</i>	(29,736,574)	1,189,912

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, 2014

	Primary Government	Component Unit
Non operating revenues (expenses)		
Federal Pell Grants	6,294,976	-
State appropriations	19,066,650	-
Interest and investment income	205,205	-
<i>Net nonoperating revenues</i>	<u>25,566,831</u>	<u>-</u>
<i>(Loss) income before other revenues, expenses, gains and losses</i>	<u>(4,169,743)</u>	<u>1,189,912</u>
Other		
Capital appropriations	2,425,694	-
Gain/(Loss) on asset disposition	10,076	-
<i>Net other revenues/expenses/gains and losses</i>	<u>2,435,770</u>	<u>-</u>
<i>Increase/(Decrease) in net position</i>	<u>(1,733,973)</u>	<u>1,189,912</u>
Net position		
Net position - beginning of year	45,538,543	6,458,946
<i>Net position, end of year</i>	<u>\$ 43,804,570</u>	<u>\$ 7,648,858</u>

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

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF CASH FLOWS

JUNE 30, 2014

	Primary Government	Component Unit
Cash Flows From Operating Activities		
Adjustment to reconcile increase in net assets to net cash provided by operating activities		
Tuition and fees	\$ 13,664,567	\$ -
Grants and contracts	3,133,299	-
Sales and services of auxiliary enterprises	3,320,404	-
Other operating receipts	1,187,901	737,896
Payments to employees for salaries and benefits	(27,075,398)	(25,692)
Payments to suppliers	(8,412,246)	(117,117)
Loans and grants issued to students	(13,415,839)	(98,937)
<i>Net cash (used) provided by operating activities</i>	(27,597,312)	496,150
Cash Flows From Noncapital Financing Activities		
Federal Pell grants	6,294,976	-
State appropriations	19,066,650	-
<i>Net cash (used) provided by noncapital financing activities</i>	25,361,626	-
Cash Flows From Investing Activities		
Purchase of investments	(5,549,846)	(4,827,151)
Interest received on investments	205,205	-
Sale of investments	8,678,040	4,501,245
<i>Net cash (used) provided by investing activities</i>	3,333,399	(325,906)
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(7,293,818)	-
Proceed from sales of capital assets	35,760	-
Capital appropriations received	1,683,428	-
Repayments of capital debt	(3,015,000)	-
Revenue bond and premium proceeds	3,055,000	-
<i>Net cash (used) provided by capital and related financing activities</i>	(5,534,630)	-
<i>Net (decrease) increase in cash and cash equivalents</i>	(4,436,917)	170,244
Cash and cash equivalents, beginning of year	9,636,969	577,778
<i>Cash and cash equivalents, end of year</i>	\$ 5,200,052	\$ 748,022

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

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

	Primary Government	Component Unit
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED)/PROVIDED BY OPERATING ACTIVITIES		
Operating (loss) income	\$ (29,736,574)	\$ 1,189,912
Adjustments to reconcile operating (loss) income to net cash (used)/provided by operating activities		
Depreciation expense	3,514,016	1,891
Bond premium amortization expense	(97,621)	-
(Gain)/Loss on asset disposition	(10,076)	2,600
Unrealized (gain)/loss on investments	(555,672)	(667,211)
Changes in assets and liabilities		
Receivables	(192,995)	(1,500)
Inventories	(745)	-
Other assets	12,372	-
Accounts payable and accrued expenses	(1,097,279)	(211)
Deposits held for others	(3,650)	-
Grants and awards payable	-	(29,331)
Unearned revenue	388,140	-
Accrued incentive retirement payable	151,517	-
Compensated absences	31,255	-
<i>Net cash (used) provided by operating activities</i>	\$ (27,597,312)	\$ 496,150

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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 2013, Western New Mexico University’s student enrollment was 3,632 (including its off-campus educational centers) taught by 150 faculty members. The campus consists of 51 buildings on 230 acres. The student residential apartment buildings, Mustang Apartment Complex – Buildings A, B, and C have been completed. Construction is underway for the Light Hall Phase renovation. Nearly two thirds (64%) 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 62% female, 38% male and have been recognized as strength for the bilingual and multi-cultural population of the region. The four largest ethnic groups are Hispanic (40%), Anglo (28%), American Indian (3%), and African American (4%).

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.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 2013, The University implemented Governmental Accounting Standards Board issued Statement No 61 The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No.14 and No.34, which modifies certain requirements for inclusion of component units in the financial reporting entity. In evaluating how to define the University for financial reporting purposes, management has evaluated the University's potential component units. The basic, but not the only, criterion for including a potential component unit as part of the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability includes, but is not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of the criterion involves considering whether the activity benefits the University. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the University is able to exercise oversight responsibilities. Based on the application of these criteria, the following is a brief review of each potential component unit addressed in defining the University's reporting entity.

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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Procedures for Approval of Operating Budgets

1. The University submits an electronic copy approved by the University's regents to the HED's office by May 1st.
2. HED acts on approval of the budgets.
3. The budgets, as approved by the HED, are transmitted to the Budget Division of the Department of Finance and Administration for official approval prior to July 1.

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

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

Cash and Cash Equivalents. For purposes of the statement of cash flows, cash and cash equivalents include demand, savings, and money market accounts with an original maturity of 3 months or less. Cash restricted for other organizations is not considered cash of the Foundation for purposes of the Statement of Cash Flows.

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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

statement of revenues, expenses and changes in net position. The carrying value of investments is based on quoted market prices.

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

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

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

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

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

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

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.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets-Impairment. Capital assets are reviewed and evaluated to assess impairment. Impairment occurs when the sum of the expected cash flows from the asset is less than the book value of the asset. If this condition is met, the book value will be adjusted to reflect the impairment and it will be recorded as a loss. The University does not have significant amounts of impaired assets as of June 30, 2014.

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, 2014, the accrued vacation pay amounted to \$566,536. 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.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014. The restricted cash consists of the proceeds from the System Refunding and Improvement Revenue Bonds Series 2014 to be used for construction, repairing, improving, altering of the University's buildings and facilities of \$2,524,000 with the remainder relating to monies held in reserve accounts as required by the System Refunding and Improvement Revenue Bonds Series 2012 & 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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

related to the Foundation consisted primarily of various government revenue bonds and FDIC insured certificates of deposit at June 30, 2014. Investments of \$15,642,900 for the University and \$7,011,052 for the Foundation at June 30, 2014 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 \$555,672 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 \$12,194. The remaining earnings remain in the nonexpendable restricted portion of the net position.

The Foundation endowment securities also had a market increase of \$667,211 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, 2014.

At June 30, 2014, the investments of the University and its component unit consisted of the following:

	Fair Value
Primary Institution	
Government-backed revenue bonds	\$1,514,141
NM Municipal	1,920,118
Certificates of deposit (includes Watts Foundation)	7,367,107
Endowment securities:	
Equity securities	1,120,001
Investment held by others*	3,721,533
<i>Total investments</i>	\$15,642,900

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.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Component Unit	Fair Value
Endowment securities:	
U.S. Treasury notes	\$21,267
<i>Total U.S. Government and Agency Securities</i>	
Equity securities	3,004,282
Real estate investment trust	752,464
Limited partnerships	253,332
Hedge funds	461,909
Certificate of deposit	-
Bond mutual funds	2,517,798
<i>Total investments</i>	
	\$7,011,052

Collateralization of Deposits. At June 30, 2014, 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	\$299,959	\$421,038
Amount insured by the Securities Investor Protection Corporation	-	551,814
Amount collateralized with securities held in the University's name by their agent	2,366,423	-
Uncollateralized	1,851,595	43,345
Uncollateralized (NMFA fbo WNMU)	835,897	-
<i>Total Cash and Time Deposit Bank Balances</i>		1,016,197
Other reconciling items on deposit accounts	(153,822)	(3,463)
<i>Total reported cash balance</i>		\$1,012,734

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, 2014, \$1,851,595 of the University's bank balance of \$4,517,977 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.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014 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	\$4,841,534	\$-	\$-	\$-	\$-
Certificate of deposit	7,367,107	1,611,750	5,755,357	-	-
Government revenue bonds	1,514,141	-	1,514,141	-	-
NM Municipal bonds	1,920,118	1,130,078	647,585	142,455	-
Federal Home Loan notes	-	-	-	-	-
<i>Total long-term investments</i>	\$15,642,900	\$2,741,828	\$7,917,083	\$142,455	\$-

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 30 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, mutual funds and bonds	\$5,522,080	207,801	748,629	339,137	\$4,226,513
REIT/ltd partnerships/hedge funds	1,467,705	-	-	-	1,467,705
U.S. Government agency oblig.	21,267	-	-	-	21,267
Certificates of deposit	-	-	-	-	-
<i>Total long-term investments</i>	\$7,011,052	\$207,801	\$748,629	\$339,137	\$5,715,485

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 a

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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.

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, 2014, FDIC insurance in the amount of \$421,038 was in place; the remaining balance of \$595,159 of the component unit's bank balance of \$1,016,197 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, 2014, the University's endowment balance in certificates of deposit was \$1,008,072 with \$142,455 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, 2014.

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, 2014, the University and the Foundation held no investments denominated in foreign currencies and therefore had no foreign currency risk.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Transfers	Retirements	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$904,080	\$338,548	\$15,656	\$-	\$1,258,284
Collections	446,830	-	-	-	446,830
Construction in process	10,172,276	1,093,392	(10,097,635)	-	1,168,033
<i>Total capital assets not being depreciated</i>	\$11,523,186	\$1,431,940	\$(10,081,979)	\$-	\$2,873,147
Other Capital Assets:					
Land improvements	\$3,466,334	\$7,733	\$221,598	\$-	\$3,695,665
Buildings	70,886,193	5,151,984	9,860,381	-	85,898,558
Equipment	11,464,065	377,126	-	(409,389)	11,431,802
Library materials	11,786,743	325,035	-	(166,809)	11,944,969
<i>Total other capital assets</i>	\$97,603,335	\$5,861,878	\$10,081,979	\$(576,198)	\$112,970,994
Accumulated Depreciation for:					
Land improvements	\$2,472,344	\$67,889	\$-	\$-	\$2,540,233
Buildings	43,261,636	2,473,647	-	-	45,735,283
Equipment	9,178,036	708,282	-	409,389	9,476,929
Library materials	10,663,394	264,198	-	141,125	10,786,467
<i>Total accumulated depreciation</i>	\$65,575,410	\$3,514,016	\$-	\$550,514	\$68,538,912
<i>Other capital assets, net</i>	\$32,027,925	\$2,347,862	\$10,081,979	\$(25,684)	\$44,432,082
Capital Assets Summary:					
Capital assets not being depreciated	\$11,523,186	\$1,431,940	\$(10,081,979)	\$-	\$2,873,147
Other capital assets, at cost	97,603,335	5,861,878	10,081,979	576,198	112,970,994
<i>Total cost of capital assets</i>	109,126,521	7,293,818	-	(576,198)	115,844,141
Accumulated depreciation	(65,575,410)	(3,514,016)	-	550,514	(68,538,912)
<i>Capital assets, net</i>	\$43,551,111	\$3,779,802	\$-	\$(25,684)	\$47,305,229

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. CAPITAL ASSETS (CONTINUED)

Following are the changes in capital assets for the component unit for year ended June 30, 2014:

	Balance June 30, 2013	Additions	Transfers	Retirements	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$8,120	\$-	\$-	\$-	\$8,120
Collections	-	-	-	-	-
<i>Total capital assets not being depreciated</i>	\$8,120	\$-	\$-	\$-	\$8,120
Other Capital Assets:					
Leasehold improvements	\$-	\$-	\$-	\$-	\$-
Buildings	-	-	-	-	-
Software	1,448	-	-	-	1,448
Equipment	84,908	-	-	-	84,908
<i>Total other capital assets</i>	\$86,356	\$-	\$-	\$-	\$86,356
Accumulated Depreciation for:					
Leasehold improvements	\$-	\$-	\$-	\$-	\$-
Buildings	-	-	-	-	-
Software	1,447	-	-	-	1,447
Equipment	78,466	1,891	-	-	80,357
<i>Total accumulated depreciation</i>	\$79,913	\$1,891	\$-	\$-	\$81,804
<i>Other capital assets, net</i>	\$6,443	\$1,891	\$-	\$-	\$4,552
Capital Assets Summary:					
Capital assets not being depreciated	\$8,120	\$-	\$-	\$-	\$8,120
Other capital assets, at cost	86,356	-	-	-	86,356
<i>Total cost of capital assets</i>	94,476	-	-	-	94,476
Accumulated depreciation	(79,913)	(1,891)	-	-	(81,804)
<i>Capital assets, net</i>	\$14,563	\$(1,891)	\$-	\$-	\$12,672

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2014, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in One year
Bond payable	\$21,665,000	\$3,055,000	\$(3,015,000)	\$21,705,000	\$1,320,000
Bond premium	940,176	-	(97,621)	842,555	35,067
Accrued compensated absences	535,281	468,488	(437,233)	566,536	96,311
Total	\$23,140,457	\$3,523,488	\$(3,549,854)	\$23,114,091	\$1,451,378

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 Revenue Bonds , Series 2012, Due June 1, 2038, issued for \$12,245,000	2.00% - 5.5%	11,920,000
Bond premium		313,833
System Refunding and Improvement Revenue Bonds, Series 2013, Due June 1, 2038 issued for \$6,755,000	2.10% - 5.1%	6,730,000
Bond premium		528,722
System Improvement Revenue Bonds, Series 2014, Due June 1, 2021, issued for \$3,055,000	1.970%	3,055,000
		\$22,547,555

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

	Principal	Interest	Total
2015	\$1,320,000	\$762,517	\$2,082,517
2016	1,375,000	713,268	2,088,268
2017	1,410,000	672,724	2,082,724
2018	1,270,000	626,926	1,896,926
2019	1,240,000	580,795	1,820,795
2020 - 2024	3,765,000	2,457,618	6,222,618
2025 - 2029	3,425,000	1,862,848	5,287,848
2030 - 2034	4,055,000	1,220,693	5,275,693
2035 - 2038	3,845,000	371,603	4,216,603
Totals	\$21,705,000	\$9,268,992	\$30,973,992

As part of the issuance of the System Refunding and Improvement Revenue Bonds Series 2013, a portion of the proceeds were deposited into an account at the Bank of Albuquerque for the benefit of the University. The University was responsible for the June 2014 payment of principal and interest and then the Board of Regents approved the complete defeasance of the remaining amount of \$2,205,000, which was also paid in June 2014. The University is expecting to save approximately \$100,000 in the defeasance of the old debt.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5. REVENUE BONDS (CONTINUED)

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, 2014, was \$701,705 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, 2014, was \$121,659 which has been charged to expenses.

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

Funding Policy.

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

Employer Contributions – In fiscal year 2014, the University was required to contribute 13.15% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 13.15% 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: 13.9% 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, 2014, 2013, and 2012, were \$2,285,676, \$1,741,146, \$1,343,944, 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, 2014, 2013, and 2012 were \$16,275 \$12,641, \$8,364, respectively.

When employing retired PERA members, the University must remit 13.15% of the applicable wages to ERB when member's annual salary is less than \$20,000. The rate is also 13.15% when salary is in excess of \$20,000. The

University's contributions for PERA retirees for the fiscal years ending June 30, 2014, 2013, and 2012 were \$32,521 \$26,786, \$12,536, respectively.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. EMPLOYEE BENEFITS (CONTINUED)

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, 2014, 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, 2014, 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,

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. EMPLOYEE BENEFITS (CONTINUED)

at the first session of the Legislature following July 1, 2014, 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, 2014, 2013, and 2012 were \$370,693, \$332,512, \$277,402, 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, 2014, 2013, and 2012 were \$2,477, \$2,313, \$1,651, respectively.

Incentive Retirement Policy. As of June 30, 2014, 12 faculty members had entered into the incentive retirement plan. At June, 30, 2014, the incentive retirement payable is \$521,406 of which \$206,526 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:

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

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

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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. EMPLOYEE BENEFITS (CONTINUED)

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 10.1% of gross salary and 10.15% of gross salary for the University. The University is also required to contribute to the Educational Retirement Board an additional 3% of the gross salary of each employee so that the University's total contribution for each participating employee is 13.15% 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 2014 was \$80,315.

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 2014 was \$125,485.

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, 2014 was \$284,292.

Future minimum rental payments required under operating leases is as follows for the years subsequent to June 30, 2014:

2015		\$218,906
2016		39,512
2017		22,000
		\$280,418

Subsequent to June 30, 2014, 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 \$1,960,876 are not presented in the financial statements. These obligations represent unfinished contracts with various entities.

Contingencies. Reimbursements for amounts expended by the University under the terms of federal and state grants and contracts are subject to audit and possible adjustments by the granting agency. Grants and contracts for the prior years are available to be audited by federal and state agencies

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

State Risk Management Pool - The University as 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, 2014:

Accounts payables	\$1,347,012
Accrued payroll	548,153
Accrued payroll taxes, insurance, and retirement benefits	586,869
Other accrued liabilities	215,914
	\$2,697,948

NOTE 9. RESTRICTED NET POSITION – ENABLING LEGISLATION

No portion of the University's June 30, 2014 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, 2014:

Description	Appropriated Amount	Expended TTD	Encumbered Balance	Remaining Amount	Amount to Revert
IT (Sev Tax)	490,000	490,000	-	-	-
Infrastructure (GO Bond)	4,000,000	1,353,684	168,823	2,477,493	-
Light Hall/Land/Infrast. (Sev Tax)	2,500,000	1,118,602	1,320,832	60,566	-
Fleming Hall (Sev Tax)	169,500	57,262	-	112,238	-
IT (Sev Tax)	200,000	200,000	-	-	-
IT(Sev Tax 2014)	100,000	-	-	100,000	-
Grand Total	\$7,459,500	\$3,219,548	\$1,489,655	\$2,750,297	\$-

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11. NEW PRONOUNCEMENT

In fiscal 2015, the Educational Retirement Board will implement GASB 68 *Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27*. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a single or agent employer that does not have a special funding situation is required to recognize a liability equal to the net pension liability. The net pension liability is required to be measured as of a date no earlier than the end of the employer's prior fiscal year (the measurement date), consistently applied from period to period. The pension expense and deferred outflows of resources and deferred inflows of resources related to pensions that are required to be recognized by an employer primarily result from changes in the components of the net pension liability—that is, changes in the total pension liability and in the pension plan's fiduciary net position. Management has not determined the impact of this GASB on the Statement of Net Position or the Statement of Revenues, Expenditures and Changes to Net Position. However, management anticipates that the fiscal year 2015 financial statements will include a material liability.

WESTERN NEW MEXICO UNIVERSITY
UNRESTRICTED AND RESTRICTED - ALL OPERATIONS
COMBINED REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ 9,751,143	\$ 18,195,760	\$ 18,195,760	\$ -
Revenues				
State general fund appropriations	18,982,700	19,066,650	19,066,650	-
Federal revenue sources	7,065,748	7,654,333	6,947,758	(706,575)
Tuition and fees	11,669,052	11,590,692	11,957,934	367,242
Land and permanent fund	180,000	180,000	194,891	14,891
Endowments and private gifts	-	1,100	1,100	-
Other	13,332,659	19,273,067	14,485,547	(4,787,520)
<i>Total Unrestricted & Restricted Revenues</i>	<u>51,230,159</u>	<u>57,765,842</u>	<u>52,653,880</u>	<u>(5,111,962)</u>
Expenditures				
Instruction	17,651,730	18,443,302	17,505,525	937,777
Academic support	2,655,346	2,336,333	2,115,492	220,841
Student services	3,057,874	3,024,186	2,868,861	155,325
Institutional support	3,747,050	5,317,218	5,180,633	136,585
Oper. & maint. of plant	3,096,009	3,316,703	3,099,190	217,513
Research	15,819	457,109	194,841	262,268
Public service	119,645	912,992	704,289	208,703
Auxiliary enterprises	1,917,562	2,025,376	1,983,203	42,173
Intercollegiate athletics	2,222,490	2,410,593	2,262,502	148,091
Capital outlay	6,227,306	13,079,403	8,161,447	4,917,956
Renewal and replacements	377,675	795,153	396,411	398,742
Retirement of indebtedness	3,851,562	4,047,193	3,945,097	102,096
Other	9,928,316	11,005,992	9,839,621	1,166,371
<i>Total Unrestricted & Restricted Expenditures</i>	<u>54,868,384</u>	<u>67,171,553</u>	<u>58,257,112</u>	<u>8,914,441</u>
Net Transfers	-	-	(30,438)	(30,438)
Change in net position-budgetary basis	(3,638,225)	(9,405,711)	(5,633,670)	3,772,041
<i>Ending Fund Balance</i>	<u>\$ 6,112,918</u>	<u>\$ 8,790,049</u>	<u>\$ 12,562,090</u>	<u>\$ 3,772,041</u>

WESTERN NEW MEXICO UNIVERSITY
RECONCILIATION OF BUDGET BASIS TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES (GAAP) BASIS
YEAR ENDED JUNE 30, 2014

Budget basis expenditures	58,257,112
Capital expenditures	(7,293,818)
Depreciation	3,514,016
Incentive retirement salaries	151,518
Scholarship allowance	(5,790,325)
Bond payments	(3,015,000)
Other	(206,906)
GAAP basis expenses	45,616,597
<hr/>	
Budget basis revenues	52,653,880
Scholarship allowance	(5,790,325)
Gain on asset disposal	10,076
Revenue bond proceeds	(3,055,000)
Other	63,993
GAAP basis revenues	43,882,624

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ 8,884,476	\$ 16,166,170	\$ 16,166,170	\$ -
Revenues				
Tuition	-	-	(3,836)	(3,836)
Miscellaneous fees	1,089,201	1,212,257	1,270,156	57,899
Government appropriation - federal	-	-	-	-
Government appropriations-state	1,741,100	1,741,100	1,741,100	-
Government appropriations-local	-	-	-	-
Government grants/contracts - federal	-	-	-	-
Government grants/contracts - state	-	-	-	-
Government grants/contracts -local	-	-	-	-
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	3,454,171	2,790,665	2,874,620	83,955
Other sources	7,520,970	12,039,819	7,846,749	(4,193,070)
<i>Total revenues</i>	13,805,442	17,783,841	13,728,789	(4,055,052)
Expenditures				
Instruction and general	-	-	-	-
Student social and cultural	833,059	1,211,441	1,022,856	188,585
Research	15,819	84,332	56,313	28,019
Public service	119,645	298,008	172,374	125,634
Internal service departments	195,810	333,107	276,987	56,120
Student aid	436,599	508,696	506,776	1,920
Auxiliary enterprises	1,917,562	2,025,376	1,983,203	42,173
Intercollegiate athletics	2,220,490	2,408,593	2,262,502	146,091
Independent operations	-	-	-	-
Capital outlay	6,227,306	13,079,403	8,161,447	4,917,956
Renewal and replacements	377,675	795,153	396,411	398,742
Retirement of indebtedness	3,851,562	4,047,193	3,945,097	102,096
<i>Total expenditures</i>	16,195,527	24,791,302	18,783,966	6,007,336
Net Transfers	(1,295,226)	(1,347,941)	535,522	1,883,463
Change in net position-budgetary basis	(3,685,311)	(8,355,402)	(4,519,654)	(3,835,748)
<i>Ending Fund Balance</i>	\$ 5,199,165	\$ 7,810,768	\$ 11,646,516	\$ (3,835,748)

WESTERN NEW MEXICO UNIVERSITY
RESTRICTED -NON INSTRUCTION & GENERAL
REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
Revenues				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriations-state	-	-	-	-
Government appropriations-local	-	-	-	-
Government grants/contracts - federal	6,865,848	7,464,286	6,528,866	(935,420)
Government grants/contracts - state	905,000	1,522,796	1,407,117	(115,679)
Government grants/contracts -local	530,000	735,427	93,901	(641,526)
Private grants/contracts	164,000	220,000	673,561	453,561
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	-	-	-	-
Other sources	-	-	-	-
<i>Total Restricted Revenues</i>	8,464,848	9,942,509	8,703,445	(1,239,064)
Expenditures				
Instruction and general	-	-	-	-
Student social and cultural	8,100	11,100	9,446	1,654
Research	-	372,777	138,528	234,249
Public service	-	614,984	531,915	83,069
Internal service departments	-	-	-	-
Student aid	8,454,748	8,941,648	8,023,556	918,092
Auxiliary enterprises	-	-	-	-
Intercollegiate athletics	2,000	2,000	-	2,000
Independent operations	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
<i>Total Restricted Expenditures</i>	8,464,848	9,942,509	8,703,445	1,239,064
Net Transfers	-	-	-	-
Change in net position-budgetary basis	-	-	-	-
<i>Ending Fund Balance</i>	\$ -	\$ -	\$ -	\$ -

WESTERN NEW MEXICO UNIVERSITY
UNRESTRICTED - INSTRUCTION & GENERAL
REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ 866,667	\$ 2,029,590	\$ 2,029,590	\$ -
Revenues				
Tuition	9,306,703	8,864,367	8,925,920	61,553
Miscellaneous fees	1,273,148	1,514,068	1,765,694	251,626
Government appropriation - federal	-	-	-	-
Government appropriations-state	17,241,600	17,325,550	17,325,550	-
Government appropriations-local	-	-	-	-
Government grants/contracts - federal	10,000	3,147	28,227	25,080
Government grants/contracts - state	-	-	-	-
Government grants/contracts -local	-	-	-	-
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	180,000	180,000	194,891	14,891
Private gifts	-	1,100	1,100	-
Sales & service	479,299	513,650	449,434	(64,216)
Other sources	134,960	182,354	333,650	151,296
<i>Total Unrestricted Revenues</i>	28,625,710	28,584,236	29,024,466	440,230
Expenditures				
Instruction	17,525,180	17,189,123	16,494,648	694,475
Academic support	2,595,346	2,279,865	2,061,801	218,064
Student services	3,021,424	2,987,736	2,835,621	152,115
Institutional support	3,650,641	5,217,809	5,083,671	134,138
Oper. & maint. of plant	3,081,259	3,307,953	3,096,780	211,173
<i>Total Unrestricted Expenditures</i>	29,873,850	30,982,486	29,572,521	1,409,965
Net Transfers	1,295,226	1,347,941	(565,960)	(1,913,901)
Change in net assets-budgetary basis	47,086	(1,050,309)	(1,114,015)	(63,706)
<i>Ending Fund Balance</i>	913,753	979,281	915,575	63,706

WESTERN NEW MEXICO UNIVERSITY
RESTRICTED - INSTRUCTION & GENERAL
REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
Restricted Revenues				
Tuition	\$ -	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriation - state	-	-	-	-
Government appropriation - local	-	-	-	-
Government grants/contracts - federal	189,900	186,900	390,665	203,765
Government grants/contracts - state	144,259	1,191,636	742,188	(449,448)
Government grants/contracts -local	-	76,720	64,327	(12,393)
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	-	-	-	-
Other sources	-	-	-	-
<i>Total Restricted Revenues</i>	334,159	1,455,256	1,197,180	(258,076)
Restricted Expenditures				
Instruction	126,550	1,254,179	1,010,877	243,302
Academic support	60,000	56,468	53,691	2,777
Student services	36,450	36,450	33,240	3,210
Institutional support	96,409	99,409	96,962	2,447
Oper. & maint. of plant	14,750	8,750	2,410	6,340
<i>Total Restricted Expenditures</i>	334,159	1,455,256	1,197,180	258,076
Net Tranfers	-	-	-	-
Change in net assets-budgetary basis	-	-	-	-
<i>Ending Fund Balance</i>	\$ -	\$ -	\$ -	\$ -

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS
YEAR ENDED JUNE 30, 2014

Name of Bank	Account Type	Balance per bank statement	Balance per books
<hr/>			
Wells Fargo, Silver City, NM			
Federal funds	Checking	11	11
Bond Debt Service	Checking	764,764	1,282,538
Operating	Checking	3,226,876	2,549,742
Wells Fargo Brokerage Services, LLC			
Money market (U.S. Govt. Agency)	Money Market	476,367	476,366
Bank of The Southwest, T or C, NM			
Operating	Checking	1,000	1,000
1st National Bank, Centennial, CO			
Federal	Checking	44,031	44,031
Bank of New York (NMFA)	Reserve	764,275	764,275
Bank of Albuquerque (NMFA)	Reserve	71,622	71,622
Petty Cash	Cash on Hand	-	5,539
Watts Foundation			
Wells Fargo, Silver City, NM			
Operating	Checking	4,928	4,928
PRIMARY INSTITUTION CASH		5,353,874	5,200,052
<hr/>			
AmBank, Silver City, NM			
Operating	Checking	293,715	287,844
Money market	Money market	8,630	8,630
Wells Fargo Bank, Silver City, NM			
Operating	Checking	162,038	164,446
Wells Fargo #75051900	Money market	524,661	524,661
Wells Fargo #75051901	Money market	19,785	19,785
Various investment accounts			
SmithBarney Citigroup #338-06177-16-013	Money Market	2,103	2,103
SmithBarney Citigroup #335-02836-18-013	Money Market	5,265	5,265
COMPONENT UNIT CASH		1,016,197	1,012,734
<hr/>			

WESTERN NEW MEXICO UNIVERSITY

SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

Name of Bank/Broker	Investment Type	Market Value
Primary Institution		
Wells Fargo, Silver City, NM Held in Wells Fargo vault	Stock	\$ 1,120,001
Wells Fargo Brokerage Services, LLC Brokered Certificates of Deposit (32 banks)	CDs	7,253,040
New Mexico Finance Authority Government Revenue Bonds (17)	Bond	3,434,259
Federal Home Loan Bank	Bond	
State Investment Council Land Grant Permanent Fund	See Note Below	3,721,533
Watts Foundation		
Bank of America, Silver City, NM Certificate of Deposit	CD	114,067
Primary Institution Investments		\$15,642,900
Component Unit		
Wells Fargo #45231900	Fixed income mutual fund	\$578,133
Wells Fargo #75051999	Fixed income mutual fund	1,939,664
	Stock	2,630,101
	Real estate investment trust	1,214,373
	US Treasury bond	21,267
Charles Schwab #7807-1329	Stock	360,994
Charles Schwab #1453-1100	Limited partnership funds	253,332
Held at WNMU Foundation	BP Amoco stock	13,188
Component Unit Investments		\$7,011,052

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, 2014

	Bank Balance					Total
	Bank of America (Watts) Silver City, NM	Bank of the Southwest T or C, NM	1st National Bank Centennial CO	Wells Fargo Silver City New Mexico	Wells Fargo Brokerage Services, LLC	
FUNDS ON DEPOSIT						
Demand deposits	\$4,928	\$1,000	\$44,031	\$3,991,651	\$476,367	\$4,517,977
Certificates of Deposit	0	0	0	0	0	0
LESS Money Market (U.S. Govt. Agency)	0	0	0	0	(476,367)	(476,367)
FDIC INSURANCE						
Demand deposits, time deposits	(4,928)	(1,000)	(44,031)	(250,000)	0	(299,959)
TOTAL UNINSURED PUBLIC FUNDS	\$0	\$0	\$0	\$3,741,651	\$0	\$3,741,651
* Does not include Cash Held By Others (New Mexico Finance Authority) with no collateral requirements Debt Service Funds (restricted)						Bank of NY \$ 835,897
AMOUNT SUBJECT TO 102% COLLATERAL				\$0		
AMOUNT SUBJECT TO 50% COLLATERAL				\$3,741,651		
Fifty percent collateral requirement per Section 6-10-17 NMSA for above				\$1,870,826		
One hundred two percent collateral requirements per Section 6-10-10 (H) NMSA				\$0		
AMOUNT OF COLLATERAL REQUIRED				\$1,870,826		
PLEGGED COLLATERAL						
	Safe-keeping Location	Type of Security				
Wells Fargo		FHLMC	-	2,061,153	-	2,061,153
Wells Fargo		FNMA	-	305,270	-	305,270
Total Pledged Collateral			-	2,366,423	-	2,366,423
<i>Deficit(excess) of pledged collateral over the required amount</i>			\$0	\$0	(\$495,597)	\$0
						(\$495,597)

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, 2014

Federal Grantor - Program Title	Federal CFDA Number	State Award Number	Fiscal Year Expenses
<u>U.S. Department of Education</u>			
Direct Student Financial Aid			
Pell Grant Program - Pell	84.063		\$6,294,976
College Work-Study Program - FWS	84.033		200,000
Supplemental Educational Opportunity Grants - SEOG	84.007		94,685
Student Direct Loans	84.268		13,188,369
TEACH Grant	84.379		3,248
<i>Total Direct Student Financial Aid</i>			<u>19,781,278</u>
Pass-Through NM Department of Education			
Adult Basic Education-Basic Grants to States - ABE#2	84.002		73,852
Career and Technical Education-Basic Grants to States - Carl Perkins	84.048	850-000-0910-24177	78,500
Improving Teacher Quality State Grants (A) - Title II-EI Puente	84.367A	950-1200	68,505
<i>Total Indirect U.S. Department of Education</i>			<u>220,857</u>
Total U.S. Department of Education			\$20,002,135
<u>Department of Health and Human Services</u>			
Pass-Through NM Department of Children, Youth and Families			
Foster Care Title IV-E - Title IV-E Social Work	93.658	10-690-10317	\$108,580
Job Opportunities for Low-Income Individuals - Assistance Program	93.593	11-690-11861	178,552
<i>Total Health and Human Services</i>			<u>\$287,132</u>
National Science Foundation			
Direct National Science Foundation			
Biological Sciences - NSF-NM Spider Wasps	47.074	1146875	\$31,690
Biological Sciences - NSF-NM Digital Forensics	47.076		35,766
<i>Total Direct National Science Foundation</i>			<u>\$67,456</u>
Pass-Through (NSF)			
Biological Sciences - NSF-NM AMP Senior Alliance	47.076	HRD-1305011	\$3,197
<i>Total Indirect National Science Foundation</i>			<u>\$3,197</u>
Total National Science Foundation			\$70,653
<u>Other</u>			
Small Business Development Centers - Small Business Development	59.037	9-603001-Z-0032-21	\$21,689
Total Federal Assistance			\$20,381,609

WESTERN NEW MEXICO UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014

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 2014 or accrued revenue at June 30, 2014. 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, 2014, were \$789,260. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2014, were \$57,505. 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, 2014.

During the fiscal year ended June 30, 2014, the University processed \$13,188,369 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 \$218,756.



**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, 2014, 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 13, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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 item 2014-002.

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.



November 13, 2014



**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, 2014. 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, 2014.

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 2014-001. 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 of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

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.

A handwritten signature in black ink, appearing to read "M. P. Group, Inc.", written in a cursive style.

November 13, 2014

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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? _____ Yes X No

Noncompliance material to financial statements noted?

_____ Yes X No

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

 X Yes _____ No

Identification of Major Programs:

CFDA Number(s)
84.033, 84.063, 84.007,
84.032, 84.038, 84.268

Name of Federal Program or Cluster
Student Financial Assistance Cluster

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

Auditee qualified as low-risk auditee?

_____ Yes X No

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2013-01 Cash and Cash Equivalents

Resolved

CURRENT YEAR

None

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2013-02 Title IV	Resolved
2013-03 National Student Loan Data System (NSLDS)	Resolved
2013-04 Timely Filing of Data Collection Form	Resolved

CURRENT YEAR FINDINGS:

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

2014-001 - Return of Title IV Funds (Significant Deficiency)

Condition

During our test work of internal controls over the return of Title IV funds, we noted the following instances of non-compliance in our sample of twenty-eight:

-Seven instances where a portion of the Title IV funds required to be returned were not refunded to the Department of Education within 45 days. The funds returned late noted in our sample totaled \$562.06.

For the entire population, for this particular error, there was a total of \$5,304.13 of Title IV funds that were not returned to the Department of Education within 45 days.

-One instance where a portion of the \$284 of Pell funds required to be returned were not refunded to the Department of Education within 45 days.

Criteria

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to the Department of Education or the appropriate FFEL lender no later than 45 days after the date the University determines that the student withdrew. (34 CFR section 668.173(b))

Cause

The instances noted where the funds were returned late were caused by a change in the length of the academic term that did not get input and reflected correctly in the R2T4 software that calculates the return of Title IV funds, thereby causing the calculation of the return of funds to be inaccurate during a portion of the term. Management identified the error and returned the additional funds after the discovery and recalculation of the return of funds but not within the time frames required by the Department of Education.

The instance where the funds had not yet been returned were caused by a data entry error where the amount of funds calculated to be returned in the R2T4 software were not correctly input into the University's software, thereby causing the actual amount of Title IV funds returned to the Department of Education to be less than the actual amount owed.

Effect

The University was not in compliance with federal timing requirements for the return of Title IV funds.

Recommendation

The Student Financial Aid Office should review the length of the academic term that is imported into the R2T4 software on a regular basis to ensure that the calculation of the return of funds is being done accurately. The University should also incorporate a more thorough review process for the R2T4 forms to ensure that the calculated amount of Title IV funds to be returned is correctly input and reflected in the University's software.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Response

The term dates will be reviewed by the director at the beginning of each term. The term dates will then be imported into the RST4 software to insure that the calculations of the returned funds are being done accurately. The R2T4 forms will be reviewed by two staff members to ensure that the calculated amount of Title IV funds are imported correctly.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION IV – OTHER FINDINGS

2014-002 Stale Dated Checks (Other Matters)

Statement of Condition – During our test work of cash and cash equivalents, We reviewed the outstanding checklist for the accounts payable account and noted the University has outstanding checks greater than one year of \$11,297.28

Criteria – Good accounting controls require the University to remove stale dated checks or if appropriate follow New Mexico Uniform Unclaimed Property Act (1995) [7-8A-1 to 7-8A-31.

Cause – The University was aware of the stale dated checks, but had not addressed them.

Effect –The University may not in compliance with New Mexico Uniform Unclaimed Property Act (1995)

Recommendation – Personnel responsible for reconciling the Wells Fargo accounts should review the outstanding checks and determine what if any checks need to be sent to the State of New Mexico and write the remaining checks off the books

Management's Response – The University will immediately implement procedures to properly remove or replace accounts payable checks older than one year. Although not required to be submitted to the state as unclaimed property based on the New Mexico Uniform Unclaimed Property Act (1995) [7-8A-1 to 7-8A-31, we recognize the necessity to evaluate the outstanding accounts payable checks and either reissue or write off any that are older than one year.

WESTERN NEW MEXICO UNIVERSITY
EXIT CONFERENCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

EXIT CONFERENCE:

The exit conference was held November 13, 2014 and was attended by the following:

From Western New Mexico University:

Dr. Joseph Shepard, President
Kelly Riddle, Assistant Vice President of Business and Finance
Cynthia Martinez, Budget Director
Janice Baca-Argabright, Regent, President
Camille Hawkins, Regent, Secretary/Treasurer

From MP Group, Inc.:

Scott Peck, CPA
Michael L. Moore, CPA