

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

Basic Financial Statements and Schedules
For the Fiscal Year Ended June 30, 2015
(With Independent Auditors' Report Thereon)



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JUNE 30, 2015

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OFFICIAL ROSTER
JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

Tim Keller
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, 2015, 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 supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2015, 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, 2015, 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, 2015, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in note Note 11 to the financial statements, effective July 1, 2014, the University adopted *Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions an amendment of GASB No.27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of College's Proportionate Share of the Net Pension Liability, and Schedule of College's Contributions on pages 5 through 9, 51 and 52 respectively, 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, 2015, 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.

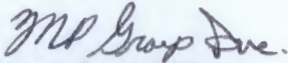
Our audit was conducted for the purpose of forming opinions on the University's financial statements and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, 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.

The Schedule of Vendor Information for Purchases exceeding \$60,000 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 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, 2015

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Overview of the Financial Statements and Financial Analysis

Western New Mexico University is proud to present its financial statements for fiscal year 2015. 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.

The total net position of the institution increased \$4.6 million from current year activity. A review of the Statement of Net Position will reveal a decrease in net position of \$29.5 million due to a prior period adjustment of net position. This adjustment stemmed from an additional reporting requirement mandated by GASB Statement 68: Accounting and Financial Reporting for Pensions. This statement requires employers that participate in group pension plans to report their proportionate share of the pension liability. The university's proportionate share, affecting the unrestricted net position, was \$36.4 million. Although this additional reporting of pension liability created a negative unrestricted net position, the overall net position of the university remains positive. The increase in total net assets of \$4.8 million is mostly resulting from an increase in accounts receivable by \$2.3 million and an increase in Capital Assets by \$1.9 million as land, buildings, and library materials were capitalized.

The total liabilities for the year increased significantly with the addition of net pension liability restatement of \$35.9 million. 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.

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2015

Statement of Net Position continued

	June 30		
	2014	2015	Variance
Assets			
Current assets	\$17,497,137	\$20,004,601	\$2,507,464
Noncurrent assets	53,544,308	55,905,782	2,361,474
Deferred Outflows	-	4,593,052	4,593,052
Total Assets and Deferred Outflows	\$71,041,445	\$80,503,435	\$9,461,990
Liabilities			
Current liabilities	\$5,259,282	\$5,917,006	\$657,724
Noncurrent liabilities	21,977,593	56,511,489	34,533,896
Deferred Inflows	-	3,805,502	3,805,502
Total Liabilities and Deferred Inflows	\$27,236,875	\$66,233,997	\$38,997,122
Net Position			
Invested in capital assets,			
Net of debt	\$24,757,674	\$28,077,615	\$3,319,941
Restricted . nonexpendable	6,624,629	6,786,941	162,312
Restricted . expendable	8,880,222	8,024,468	(855,754)
Unrestricted	3,542,045	(28,619,586)	(32,161,631)
Total Net Position	\$43,804,570	\$14,269,438	\$(29,535,132)

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.

The Statement of Revenues, Expenses and Changes in Net Position reflect an increase in the change of net position at the end of the year of \$4.6 million. Overall, operating revenues were up by \$2.9 million with an approximate \$2.1 increase in tuition and fees. Non-operating revenues increased \$0.9 million primarily in governmental appropriations from the state. The \$2.9 million increase in revenues combined with the \$1 million decrease in expenditures contributed to the overall increase in net position. This decrease in expenditures is most notable in I&G and more specifically in salaries and benefits, owing to the vacancy of positions throughout the year.

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Statement of Revenues, Expenses and Changes in Net Position continued

	June 30		
	2014	2015	<u>Variance</u>
Operating Revenues			
Tuition and fees	\$7,852,078	\$9,994,458	\$2,142,380
Federal grants and contracts	898,264	1,526,786	628,522
State and local grants and contracts	2,147,628	2,620,190	472,562
Sales and services auxiliary enterprises	3,324,054	2,979,423	(344,631)
Other	1,657,999	1,738,303	80,304
<i>Total Operating Revenue</i>	<u>15,880,023</u>	<u>18,859,160</u>	<u>2,979,137</u>
Expenses			
Instruction and general	30,921,219	30,888,595	(1,037,807)
Public service	704,290	711,161	6,871
Student aid grants and stipends	2,763,210	2,083,761	(679,449)
Auxiliary enterprises	1,983,203	1,808,235	(174,968)
Athletics	2,262,502	2,559,077	296,575
Other expenditures	3,468,157	3,052,337	593,554
Depreciation	3,514,016	3,415,520	(98,496)
<i>Total Expenses</i>	<u>45,616,597</u>	<u>44,518,686</u>	<u>(1,093,720)</u>
<i>Operating Loss</i>	(29,736,574)	(25,659,526)	4,072,857
Nonoperating Revenues (Expenses)			
State appropriations/special appropriations and other nonoperating revenue	25,566,831	26,562,795	995,964
Gain/(Loss) before other revenues and expenses	(4,169,743)	903,269	5,068,821
Other revenues/(expenses)	2,435,770	3,741,412	1,305,642
<i>Net Increase/(Decrease) in Net Position</i>	<u>\$(1,733,973)</u>	<u>\$4,644,681</u>	<u>\$9,374,463</u>

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.

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2015

	June 30		<u>Variance</u>
	<u>2014</u>	<u>2015</u>	
Net cash used by operating activities	\$(27,597,312)	\$(22,000,230)	\$5,597,082
Net cash provided by noncapital financing activities	25,361,626	26,398,913	1,037,287
Net cash provided by investing activities	3,333,399	(349,570)	(3,682,969)
Net cash used by capital and related financing	(5,534,630)	(3,545,119)	1,989,511
Net increase (decrease) in cash and cash equivalents	(4,436,917)	503,994	4,940,911
Cash at beginning of year	9,636,969	5,200,052	(4,436,917)
<i>Cash at end of year</i>	\$5,200,052	\$5,704,046	\$503,994

Capital Asset and Debt Administration

The University had some capital asset additions for facilities in the current fiscal year to include a donation of property. Construction continues to progress on the third phase of Light Hall and is anticipated to be completed within the second quarter of fiscal year 2016. Renovations were near completion to the Student Rec Center during the year and will be completed within fiscal year 2016. No new debt was incurred during the fiscal year. For more detailed information, please see the notes to the financial statements.

Budget/Actual Variances

The actual unrestricted I&G revenue was higher than the final budget by \$0.8 million. This favorable variance was owing to a slight increase in tuition and fee revenue. Although student credit hours decreased overall, there was an increase in graduate credit hours and online credit hours. These credit hours bring in more revenue than the credit hours where a decrease was noted. The variance in expenditures within I&G of \$2.1 million contributed to the favorable variance of the I&G fund balance, which was sufficient to cover operating costs and the required 3% balance. 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 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. The final budget increased from the original budget submitted to the state largely from capital projects that were not budgeted in the original budget. In most cases, capital project budgets roll over from one fiscal year to the next and the budgets are created when all known expenses for the fiscal year are realized, which is subsequent to the submittal of the original budget.

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.

WESTERN NEW MEXICO UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

This fall semester of 2014 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 retain students with organizational changes in the Office of Recruitment and Retention. An area that is creating some uncertainty is the change 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 slight funding increase in FY17. The State's financial performance for FY15 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 FY17 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 FY16.

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 Jodi Edens Crocker, 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, 2015

	Primary Government	Component Unit
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,769,138	\$ 513,708
Cash and cash equivalents-restricted	2,865,068	-
Cash endowments	302,761	-
Cash held by others-restricted	767,079	-
Cash restricted for other organizations	-	299,310
Accounts receivable, net of \$6,228 allowance	1,143,389	6,750.00
Federal Contract and grant receivables, net of \$0 allowance	681,655	-
State Contract and grant receivables, net of \$0 allowance	263,677	-
Private Contract and grant receivables, net of \$0 allowance	38,403	-
Student receivables, net of \$2,659,840 allowance	385,007	-
Capital grant receivables	1,541,541	-
Due from WNMU Foundation	165,669	-
Short-term Investments	9,764,511	-
Inventories	7,081	-
Prepaid assets	309,622	-
<i>Total current assets</i>	20,004,601	819,768
Noncurrent Assets		
Accounts receivable, net of \$0 allowance	151,538	-
Endowment investment	6,484,180	7,187,093
Capital assets, net of accumulated depreciation	49,270,064	10,781
<i>Total noncurrent assets</i>	55,905,782	7,197,874
Deferred Outflows		
Deferred Outflows	4,593,052	
<i>Total assets and deferred outflows</i>	\$ 80,503,435	\$ 8,017,642
LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities		
Payables and accrued liabilities	\$ 3,743,508	
Accrued compensated absences	105,204	-
Accrued incentive retirement payable	143,546	-
Unearned revenue	381,182	-
Bonds payable - current portion	1,410,106	-
Due to Western New Mexico University	-	165,669
Deposits held for others	133,460	299,310
<i>Total current liabilities</i>	5,917,006	464,979
Noncurrent Liabilities		
Accrued compensated absences	513,643	-
Accrued incentive retirement payable	247,156	-
Net Pension Liability	35,968,347	
Bonds payable - long-term portion	19,782,343	-
<i>Total noncurrent liabilities</i>	56,511,489	-
Deferred Inflows		
Deferred Inflows	3,805,502	
<i>Total liabilities and deferred inflows</i>	66,233,997	464,979

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

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF NET POSITION

JUNE 30, 2015

	Primary Government	Component Unit
Net Position		
Net investment in capital assets	28,077,615	10,781
Restricted for		
Nonexpendable		
Restricted (endowment fund balances)	6,786,941	7,462,604
Expendable		
Scholarships, research, instruction and other loans	383,025	107,682
Capital projects	5,374,232	-
Debt service	2,267,211	-
Unrestricted	(28,619,586)	(28,404)
<i>Total net position</i>	14,269,438	7,552,663
<i>Total liabilities and net position</i>	\$ 80,503,435	\$ 8,017,642

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, 2015

	Primary Government	Component Unit
Operating Revenues		
Tuition and fees	\$ 16,369,736	\$ -
Tuition discounts and allowances	(6,375,278)	-
	9,994,458	-
Federal grants and contracts	1,526,786	-
State and local grants and contracts	2,498,222	-
Private grants and contracts	121,968	-
State land and permanent fund and investment income	250,918	-
Sales and services of auxiliary enterprises	2,979,423	-
Contributions	-	141,277
Other	1,487,385	51,540
<i>Total operating revenues</i>	18,859,160	192,817
Operating Expenses		
Instruction and general		
Instruction	17,916,820	-
Academic support	2,032,554	-
Student services	2,686,931	-
Institutional support	5,226,372	-
Operations and maintenance support	3,025,918	-
	30,888,595	-
Public service	711,161	-
Student aid grants and stipends	8,459,039	-
Tuition discounts and allowances	(6,375,278)	-
Auxiliary enterprises	1,808,235	-
Athletics	2,559,077	-
Other expenditures	3,052,337	-
Awards and grants to individuals	-	135,913
Operating expenses	-	255,785
Depreciation	3,415,520	1,891
<i>Total expenses</i>	44,518,686	393,589
<i>Operating (loss) income</i>	(25,659,526)	(200,772)

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, 2015

	Primary Government	Component Unit
Non operating revenues (expenses)		
Federal Pell Grants	5,960,908	-
State appropriations	20,438,005	-
Contribution to permanent endowment		123,326.00
Interest and investment income	163,882	(18,749.00)
<i>Net nonoperating revenues</i>	26,562,795	104,577
<i>(Loss) income before other revenues, expenses, gains and losses</i>	903,269	(96,195)
Other		
Capital appropriations	3,741,321	-
Endowment Revenue	91	
<i>Net other revenues/expenses/gains and losses</i>	3,741,412	-
<i>Increase/(Decrease) in net position</i>	4,644,681	(96,195)
Net position		
Net position - beginning of year	43,804,570	7,648,858
Prior period adjustment for Pension Liability	(34,179,813)	
Net position - beginning of year, as adjusted	9,624,757	
<i>Net position, end of year</i>	\$ 14,269,438	\$ 7,552,663

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

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF CASH FLOWS

JUNE 30, 2015

	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	\$ 15,396,363	\$ -
Grants and contracts	3,576,820	-
Sales and services of auxiliary enterprises	2,977,257	-
Other operating receipts	1,646,055	120,874
Payments to employees for salaries and benefits	(26,609,901)	(28,690)
Payments to suppliers	(4,693,965)	(119,121)
Loans and grants issued to students	(14,292,859)	(135,913)
<i>Net cash (used) provided by operating activities</i>	(22,000,230)	(162,850)
Cash Flows From Noncapital Financing Activities		
Federal Pell grants	5,960,908	-
Donation and pledges		123,326.00
State appropriations	20,438,005	-
<i>Net cash (used) provided by noncapital financing activities</i>	26,398,913	123,326.00
Cash Flows From Investing Activities		
Purchase of investments	(3,853,147)	(3,845,343)
Interest received on investments	163,882	138,121.00
Sale of investments	3,339,695	3,512,432
<i>Net cash (used) provided by investing activities</i>	(349,570)	(194,790)
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(5,380,355)	-
Capital appropriations received	3,155,236	-
Repayments of capital debt	(1,320,000)	-
<i>Net cash (used) provided by capital and related financing activities</i>	(3,545,119)	-
<i>Net (decrease) increase in cash and cash equivalents</i>	503,994	(234,314)
Cash and cash equivalents, beginning of year	5,200,052	1,012,734
<i>Cash and cash equivalents, end of year</i>	\$ 5,704,046	\$ 778,420

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

WESTERN NEW MEXICO UNIVERSITY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015

	Primary Government	Component Unit
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED)/PROVIDED BY OPERATING ACTIVITIES		
Operating (loss) income	\$ (25,659,526)	\$ (200,772)
Adjustments to reconcile operating (loss) income to net cash (used)/provided by operating activities		
Depreciation expense	3,415,520	1,891
Bond premium amortization expense	(35,106)	-
Net pension expense	1,000,984	-
Unrealized (gain)/loss on investments	(92,339)	-
Endowment	91	-
Changes in assets and liabilities		
Receivables	(1,156,907)	(5,250)
Inventories	(2,697)	-
Other assets	(48,629)	-
Accounts payable and accrued expenses	1,045,560	41,281
Deposits held for others	(2,166)	-
Unearned revenue	(386,622)	-
Accrued incentive retirement payable	(130,704)	-
Compensated absences	52,311	-
<i>Net cash (used) provided by operating activities</i>	\$ (22,000,230)	\$ (162,850)

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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 WNMU engages and empowers learners in a multicultural, inclusive, creative, and caring community of teaching, scholarship/research, and service. 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 2014, Western New Mexico University's student enrollment was 2,620 (including its off-campus educational centers) taught by 150 faculty members. The campus consists of 51 buildings on 230 acres. Construction is being completed for the third phase of the Light Hall Phase renovation. Nearly two thirds (62%) 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 61% female, 39% male and have been recognized as strength for the bilingual and multi-cultural population of the region. The four largest ethnic groups are Hispanic (41%), 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.

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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 Jodi Edens Crocker, Executive Director at the Western New Mexico Foundation, Inc., P.O. Box 1158, Silver City, New Mexico 88062.

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.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

Procedures for Approval of Operating Budgets

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

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

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

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

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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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, 2015.

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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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, 2015, the accrued vacation pay amounted to \$618,847. This amount does not exceed a normal year's accumulation.

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

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

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

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

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

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

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

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

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

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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

Non-operating 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 non-operating revenues by GASB No. 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as 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, 2015.

Investments. The Vice President for Business and Finance and the Comptroller are authorized to purchase and sell investments of the University. Investments are required to be made in a prudent manner so as to ensure an acceptable yield with a minimum risk which requires investment in securities or other financial instruments which are not contrary to 6-8-10 NMSA 1978, existing bond covenants or other externally placed restrictions. The investments not related to the Foundation consisted primarily of various government revenue bonds and FDIC insured certificates of deposit at June 30, 2015.

Investments of \$16,248,691 for the University and \$7,187,093 for the Foundation at June 30, 2015 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.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2. CASH AND INVESTMENTS continued

The University's endowment securities had a market appreciation during the year of \$78,060 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 other 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 \$6,709. The remaining earnings remain in the nonexpendable restricted portion of the net position.

The Foundation endowment securities also had a market decrease of \$165,174 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, 2015.

At June 30, 2015, the investments of the University and its component unit consisted of the following:

	Fair Value
Primary Institution	
Government-backed revenue bonds	\$2,017,874
NM Municipal	776,697
Certificates of deposit (includes Watts Foundation)	8,484,332
Endowment securities:	
Equity securities	1,198,061
Investment held by others*	3,771,727
Total investments	\$16,248,691

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, 2015

NOTE 2. CASH AND INVESTMENTS continued

Component Unit	Fair Value
Endowment securities:	
U.S. Treasury notes	\$21,340
<hr/>	
<i>Total U.S. Government and Agency Securities</i>	\$21,340
Equity securities	1,399,704
Real estate investment trust	697,986
Limited partnerships	176,383
Hedge funds	585,364
Certificate of deposit	-
Bond mutual funds	4,306,316
<hr/>	
<i>Total investments</i>	\$7,187,093

Collateralization of Deposits. At June 30, 2015, 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	\$316,472	\$559,038
Amount insured by the Securities Investor Protection Corporation	-	256,180
Amount collateralized with securities held in the University's name by their agent	3,131,131	-
Uncollateralized	1,659,952	-
Uncollateralized (NMFA fbo WNMU)	767,079	-
<hr/>		
<i>Total Cash and Time Deposit Bank Balances</i>	5,874,634	815,218
Other reconciling items on deposit accounts	(170,588)	(2,200)
<hr/>		
<i>Total reported cash balance</i>	\$5,704,046	\$813,018

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, 2015, \$1,659,952 of the University's bank balance of 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, 2015

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, 2015 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	\$4,969,788	\$-	\$-	\$-	\$-
Certificate of deposit	8,484,332	1,365,637	7,118,694	-	-
Government revenue bonds	2,017,874	-	2,017,874	-	-
NM Municipal bonds	776,697	400,999	228,206	147,492	-
Federal Home Loan notes	-	-	-	-	-
Total long-term investments	\$16,248,691	\$1,766,636	\$9,364,774	\$147,492	\$-

The University invests in equity securities in accordance with the laws of 1991, Chapter 69 of the State of New Mexico and Chapter 21, Article 1, Section 10 of the NMSA, 1978 Compilation. The brokered certificates of deposits were purchased in \$250,000 increments at 32 separate financial institutions and are fully insured by FDIC.

	Fair Value	Less Than One Year	1 – 5 Years	6 – 10 Years	Greater Than 10 Years
Long-Term Investments:					
<u>Component Unit:</u>					
Items not subject to interest rate risk:					
Equity securities, mutual funds and bonds	\$5,706,020	\$-	\$-	\$-	\$5,706,020
REIT/ltd partnerships/hedge funds	1,459,733	-	-	-	-
U.S. Government agency oblig.	21,340	-	-	-	-
Certificates of deposit	-	-	-	-	-
Total long-term investments	\$7,187,093	\$-	\$-	\$-	\$5,706,020

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

WESTERN NEW MEXICO UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2. CASH AND INVESTMENTS *continued*

Credit Risk. The University's investment policy limits investment in money market instruments and other securities of commercial banks, broker-dealers or recognized financial institutions to those rated in the highest Rating Category by any nationally recognized statistical rating organization (NRSROs) or which are guaranteed by a person or entity whose long-term debt obligations are rated in the highest Rating Category by any NRSRO, including, without limitation, securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 USC Sections 80(a)-1 et. Seq., which invest only in, or whose securities are secured only by obligations of the government of the United States of America. The University's investment in mutual funds 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, 2015, FDIC insurance in the amount of \$559,037 was in place; the remaining balance of \$256,180 of the component unit's bank balance of \$815,218 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, 2015, the University's endowment balance in certificates of deposit was \$1,250,936 with \$147,492 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, 2015.

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, 2015, 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, 2015

NOTE 3. CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Transfers	Retirements	Balance June 30, 2015
Capital assets not being depreciated:					
Land	\$1,258,284	\$24,500	\$-	\$-	1,282,784
Collections	446,830	-	-	-	446,830
Construction in process	1,168,033	4,382,674	-	-	5,550,707
Total capital assets not being depreciated	\$2,873,147	\$4,407,174	\$-	\$-	7,280,321
Other Capital Assets:					
Land improvements	\$3,695,665	\$214,655	\$-	\$-	\$3,910,320
Buildings	85,898,558	71,246	-	-	85,969,804
Equipment	11,431,802	546,453	-	\$(391,607)	11,586,648
Library materials	11,944,969	140,827	-	(248,674)	11,837,122
Total other capital assets	\$112,970,994	\$973,181	\$-	\$(640,281)	\$113,303,894
Accumulated Depreciation for:					
Land improvements	\$2,540,233	\$76,302	\$-	\$-	\$2,616,535
Buildings	45,735,283	2,435,430	-	-	48,170,713
Equipment	9,476,929	670,918	-	391,607	9,756,240
Library materials	10,786,467	232,870	-	248,674	10,770,663
Total accumulated depreciation	\$68,538,912	\$3,415,520		\$640,281	\$71,314,151
Other capital assets, net	\$44,432,082	\$(2,442,339)	\$-	\$-	\$41,989,743
Capital Assets Summary:					
Capital assets not being depreciated	\$2,873,147	\$4,407,174	\$-	\$-	\$7,280,321
Other capital assets, at cost	112,970,994	973,181	-	640,281	113,303,894
Total cost of capital assets	115,844,141	5,380,355	-	(640,281)	120,584,215
Accumulated depreciation	(68,538,912)	(3,415,520)	-	640,281	(71,314,151)
Capital assets, net	\$47,305,229	\$1,964,835	\$-	\$-	\$49,270,064

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. CAPITAL ASSETS continued

Following are the changes in capital assets for the component unit for year ended June 30, 2015:

	Balance June 30, 2014	Additions	Transfers	Retirements	Balance June 30, 2015
Capital assets not being depreciated:					
Land	\$8,120	\$-	\$-	\$-	\$8,120
Collections	-	-	-	-	-
Total capital assets not being depreciated	\$8,120	\$-	\$-	\$-	\$8,120
Other Capital Assets:					
Leasehold improvements	\$-	\$-	\$-	\$-	\$-
Buildings	-	-	-	-	-
Software	1,448	-	-	-	1,448
Equipment	84,908	-	-	-	84,908
Total other capital assets	\$86,356	\$-	\$-	\$-	\$86,356
Accumulated Depreciation for:					
Leasehold improvements	\$-	\$-	\$-	\$-	\$-
Buildings	-	-	-	-	-
Software	1,447	-	-	-	1,447
Equipment	80,357	1,891	-	-	82,248
Total accumulated depreciation	\$81,804	\$1,891	\$-	\$-	\$83,695
Other capital assets, net	\$4,552	\$1,891	\$-	\$-	\$10,781
Capital Assets Summary:					
Capital assets not being depreciated	\$8,120	\$-	\$-	\$-	\$8,120
Other capital assets, at cost	86,356	-	-	-	86,356
Total cost of capital assets	94,476	-	-	-	94,476
Accumulated depreciation	(81,804)	(1,891)	-	-	(83,695)
Capital assets, net	\$12,672	\$(1,891)	\$-	\$-	\$10,781

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015, is as follows:

	Beginning Balance	Additions	Retirements	Adjmts	Ending Balance	Amount due in one year
Bond Payable	\$21,705,000	\$0	(\$1,320,000)	\$0	\$20,385,000	\$1,375,000
Bond Premium	842,555	0	(35,106)	0	807,449	35,106
Compensated Absences	566,536	471,922	(419,611)	0	618,847	105,204
Total	\$23,114,091	\$471,922	(\$1,774,717)	\$0	\$21,811,296	\$1,515,310

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

NOTE 5. REVENUE BONDS

Tuition, fees and certain other income, excluding state appropriations and restricted contributions and grants are pledged revenues on bonds payable. Revenue bonds payable consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Balance June 30, 2015</u>
System Revenue Bonds , Series 2012, Due June 1, 2038	2.00% - 5.5%	11,590,000
Bond premium		300,757
System Refunding and Improvement Revenue Bonds, Series 2013, Due June 1, 2038	2.10% - 5.1%	6,150,000
Bond premium		506,692
System Improvement Revenue Bonds, Series 2014, Due June 1, 2021	1.970%	2,645,000
Bond premium		
		\$21,192,449

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$1,375,000	\$716,608	\$2,091,608
2017	1,410,000	676,529	2,086,529
2018	1,270,000	630,858	1,900,858
2019	1,240,000	583,663	1,823,663
2020	980,000	549,239	1,529,239
2021 - 2025	3,425,000	2,339,796	5,764,796
2026 - 2030	3,540,000	1,756,120	5,296,120
2031 - 2035	4,210,000	1,080,005	5,290,005
2036 - 2038	2,935,000	233,366	3,168,366
Totals	\$20,385,000	\$8,566,184	\$28,951,184

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, was \$779,805 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, 2015, was \$225,664 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: 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions – In fiscal year 2015, and thereafter, the University was required to contribute 13.9% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 13.9% of the gross covered salary for employees whose annual salary is more than \$20,000.

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, 2015, 2014, and 2013, were \$2,243,923, \$2,204,448, \$1,675,135, 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, 2015, 2014, and 2013 were \$13,512, \$16,275, \$12,641, respectively.

When employing retired PERA members, the University must remit 13.9% of the applicable wages to ERB when member's annual salary is less than \$20,000. The rate is also 13.9% when salary is in excess of \$20,000. The University's contributions for PERA retirees for the fiscal years ending June 30, 2015, 2014, and 2013 were \$35,866 \$32,521, \$26,786, respectively.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6. EMPLOYEE BENEFITS continued

Plan Description. The University contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which 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 10-7C-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, 2015, the statutes 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, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6. EMPLOYEE BENEFITS continued

was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The University's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$357,850, \$370,693 and \$332,512, 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, 2015, 2014, and 2013 were \$1,944, \$2,477, \$2,313, respectively.

Incentive Retirement Policy. As of June 30, 2015, 13 faculty members had entered into the incentive retirement plan. At June, 30, 2015, the incentive retirement payable is \$390,702 of which \$143,546 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.

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.

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

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6. EMPLOYEE BENEFITS continued

*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.

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.

Alternate Retirement Plan-ERB. There is an additional alternate defined contribution 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. Article II, Section 22, NMSA, 1978 compilation, as amended, passed by the 1991 New Mexico Legislature, and signed into law by Governor Bruce King, provides for the implementation of an Alternative Retirement Plan (ARP) in Sections 22-11-47 through 22-11-52. All Plan Contributions are 100 percent vested at all times and does not provide for forfeitures. Participants in ARP have the option of investing with either TIAA CREF or Fidelity Investments. While the Educational Retirement Board has approved the aforementioned Annuity Carriers, the Participant will invest in these vehicles at their own risk and discretion.

Contributions: For fiscal year ending June 30, 2015, contribution rates for an employee who elects to participate in the alternate plan are 10.7% of gross salary and 10.9% of gross salary for the University. The University is also required to contribute to the Educational Retirement Board an additional 3% of the gross salary of each employee so that the University's total contribution for each participating employee is 13.9% of the employee's gross salary. The University's alternative retirement plan contributions to ERB for the fiscal years ending June 30, 2015, 2014, and 2013, were \$45,209, \$50,412, \$39,593 respectively, which equal the amount of the required contributions for each fiscal year.

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 2015 was \$77,830.

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 2014, 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 2015 was \$114,425.

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, 2015 was \$375,100.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7.COMMITMENTS AND CONTINGENCIES continued

Future minimum rental payments required under operating leases is as follows for the years subsequent to June 30, 2015:

2016	\$347,134
2017	258,720
2018	152,741
	<hr/> \$758,595 <hr/>

Construction obligations of \$3,969,635 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

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, 2015:

Accounts payables	\$2,576,950
Accrued payroll	369,735
Accrued payroll taxes, insurance, and retirement benefits	550,119
Other accrued liabilities	246,704
	<hr/> \$3,743,508 <hr/>

NOTE 9. RESTRICTED NET POSITION – ENABLING LEGISLATION

No portion of the University's June 30, 2015 net position is restricted due to enabling legislation for House Bills for Capital Projects.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10. SPECIAL CAPITAL OUTLAY APPROPRIATIONS

The University has the following capital outlay appropriations as of June 30, 2015:

Description	Appropriated Amount	Expended Total TD	Encumbered Balance	Remaining Amount	Amount to Revert
Infrastructure (GO Bond 2012)	\$4,000,000	\$3,403,016	\$596,984	\$-	\$-
Light Hall/Land/Infrast. (Sev Tax)	2,500,000	2,422,024	77,976	-	-
Fleming Hall (Sev Tax)	169,500	66,294	-	103,206	-
IT (Sev Tax)	200,000	200,000	-	-	-
IT(Sev Tax 2014)	100,000	81,798		18,202	
Infrastructure (GO Bond 2014)	6,000,000	240,286	1,774,560	3,985,154	
Grand Total	\$12,969,500	\$6,413,418	\$2,449,520	\$4,106,562	\$-

NOTE 11. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. ERB was created by the state's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

Benefits provided. A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater. A brief summary of Plan coverage provisions follows:

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 11. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN continued

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member's age and earned service credit add up to the sum of 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five

WESTERN NEW MEXICO UNIVERSITY
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JUNE 30, 2015

NOTE 11. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN continued

or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions. The contribution requirements of defined benefit plan members and the University are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Required and actual contributions to the pension plan from the University were \$2,243,923 for the year ended June 30, 2015.

The contribution requirements of the Alternative Retirement Plan (ARP), a defined contribution plan available at colleges and universities, are established for members and Western New Mexico University in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Members who do not elect to participate in the ARP within 90 days of employment, participate in the defined benefit plan. For the fiscal year ended June 30, 2014 employers contributed 3% of ARP employees' gross annual salary to the Plan. ARP contributions to the Plan from Western New Mexico University were \$45,209 for the year ended June 30, 2015.

Pension Liabilities, Pension Expensed Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the University reported a liability of \$35,968,347 for its proportionate share of the net pension liability. The University's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the University proportion was .63039% percent, which was an increase of .04945% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the University recognized pension expense of \$1,005,183. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$-	\$(535,804)
Changes of assumptions		-
Net difference between projected and actual earnings on pension plan investments	-	\$(3,269,698)
Changes in proportion and differences between the University contributions and proportionate share of contributions	\$2,303,920	
The University contributions subsequent to the measurement date	\$2,289,132	-
Total	\$4,593,052	\$(3,805,502)

\$2,289,132 reported as deferred outflows of resources related to pensions resulting from the University contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$203,493
2017	203,493
2018	277,164
2019	817,432
2020	-
Total	<u>\$1,501,582</u>

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles.

There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. Specifically, the liabilities measured as of June 30, 2014 incorporate the following assumptions:

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN continued

1. All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases Composition:	3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2014 and 2013 for 30-year return assumptions are summarized in the following table:

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN continued

Asset Class	2014 Long-Term Expected Real Rate of Return	2013 Long-Term Expected Real Rate of Return
Treasuries	1.50%	0.75%
IG Corp Credit	2.00%	1.00%
MBS	3.50%	3.00%
Core Bonds	2.25%	2.50%
TIPS	2.53%	2.04%
High Yield Bonds	2.50%	1.50%
Bank Loans	4.50%	5.00%
Global Bonds (Unhedged)	5.00%	5.00%
Global Bonds (Hedged)	1.25%	0.75%
EMD External	1.38%	0.93%
EMD Local Currency	5.00%	4.00%
Large Cap Equities	5.75%	5.00%
Small/Mid Cap	6.25%	6.75%
International Equities (Unhedged)	6.25%	7.00%
International Equities (Hedged)	7.25%	7.75%
Emerging International Equities	7.50%	8.00%
Private Equity	9.50%	9.75%
Private Debt	8.75%	9.00%
Private Real Assets	8.00%	8.50%
Real Estate	7.75%	8.00%
Commodities	6.25%	6.00%
Hedge Funds Low Vol	5.00%	5.00%
Hedge Funds Mod Vol	5.50%	4.75%
	5.50%	6.50%

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2014 and June 30, 2013. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate. The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

WESTERN NEW MEXICO UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN continued

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
University's proportionate share of the net pension liability	\$48,939,087	\$35,968,349	\$25,134,330

NOTE 12. RESTATEMENT OF NET POSITION

The following prior period adjustments were made to the beginning net position previously reported in the University's financial statements at June 30, 2014.

Net position as originally stated at June 30, 2014	\$43,804,570
Change in reporting for the implementation of GASB No. 68, Accounting and Financial Reporting for Pensions and GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date:	
Net pension liability (measurement date)	(\$36,464,746)
Deferred outflows - University's contributions made during fiscal year 2014	\$2,284,933
Total prior period adjustment	(\$34,179,813)
Net position restated at June 30, 2014	\$9,624,757

WESTERN NEW MEXICO UNIVERSITY
UNRESTRICTED AND RESTRICTED - ALL OPERATIONS
AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ 8,790,049	\$ 12,562,085	\$ 12,562,086	\$ 1
Revenues			-	
State general fund appropriations	20,438,000	20,438,000	\$ 20,438,005	5
Federal revenue sources	7,265,748	6,838,485	\$ 7,737,558	\$ 899,073
Tuition and fees	12,536,634	13,055,956	\$ 16,369,736	\$ 3,313,780
Land and permanent fund	180,000	190,944	\$ 250,918	\$ 59,974
Endowments and private gifts	-	1,335	-	\$ (1,335)
Other	7,145,212	17,559,734	\$ 10,669,636	\$ (6,890,098)
Total Unrestricted & Restricted Revenues	47,565,594	58,084,454	55,465,853	(2,618,601)
Expenditures				
Instruction	16,646,075	18,733,322	\$ 17,464,519	\$ 1,268,803
Academic support	1,987,301	2,113,455	\$ 1,972,242	\$ 141,213
Student services	2,736,879	2,781,255	\$ 2,596,465	\$ 184,790
Institutional support	5,015,925	5,562,095	\$ 5,055,491	\$ 506,604
Oper. & maint. of plant	3,463,880	3,217,238	\$ 2,925,400	\$ 291,838
Research	19,369	525,724	\$ 199,875	\$ 325,849
Public service	122,550	916,350	\$ 711,161	\$ 205,189
Auxiliary enterprises	1,583,009	1,767,571	\$ 1,808,235	\$ (40,664)
Intercollegiate athletics	2,462,961	2,588,045	\$ 2,559,077	\$ (28,968)
Capital outlay	3,847,638	10,307,561	\$ 5,873,216	\$ 4,434,345
Renewal and replacements	390,335	751,969	\$ 448,716	\$ 303,253
Retirement of indebtedness	2,146,902	2,044,034	\$ 2,132,352	\$ (88,318)
Other	10,757,815	10,233,790	\$ 9,709,966	\$ 523,824
Total Unrestricted & Restricted Expenditures	51,180,639	61,542,409	53,456,715	8,085,694
Net Transfers	-	-	(8,114)	(8,114)
Change in net position-budgetary basis	(3,615,045)	(3,457,955)	2,001,024	5,458,979
Ending Fund Balance	\$ 5,175,004	\$ 9,104,130	\$ 14,563,110	\$ 5,458,980

WESTERN NEW MEXICO UNIVERSITY
 COMBINED REVENUES, EXPENDITURES,
 AND BEGINNING AND ENDING BALANCES BUDGET COMPARISONS (CONTINUED)
 YEAR ENDED JUNE 30, 2015

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

Budget basis expenditures	53,456,715
Capital expenditures	(4,740,074)
Depreciation	2,775,239
Net pension expense	1,005,175
Incentive retirement salaries	(130,704)
Scholarship allowance	(6,375,278)
Bond payments	(1,355,106)
Other	(113,090)
GAAP basis expenses	44,522,877
<hr/>	
Budget basis revenues	55,465,853
Scholarship allowance	(6,375,278)
Endowment Funds	42,578
Other	30,214
GAAP basis revenues	49,163,367

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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ 7,810,768	\$ 11,646,512	\$ 11,646,513	\$ 1
Revenues				
Tuition	-	-	-	
Miscellaneous fees	1,561,941	1,638,185	4,203,490	\$ 2,565,305
Government appropriation - federal	-			
Government appropriations-state	1,898,500	1,898,500	1,898,500	
Government appropriations-local	-	-		
Government grants/contracts - federal	-	-		
Government grants/contracts - state	-	-		
Government grants/contracts -local	-	-		
Private grants/contracts	-	-		
Endowments	-	-		
Land and permanent fund	-	-		
Private gifts	-	-		
Sales & service	2,886,911	2,846,993	2,510,006	\$ (336,987)
Other sources	1,595,276	9,134,318	4,314,393	\$ (4,819,925)
Total revenues	7,942,628	15,517,996	12,926,389	(2,591,607)
Expenditures				
Instruction and general	-	-	-	-
Student social and cultural	996,488	1,219,090	944,583	\$ 274,507
Research	19,369	26,369	17,745	\$ 8,624
Public service	122,550	248,200	177,232	\$ 70,968
Internal service departments	368,444	385,287	288,877	\$ 96,410
Student aid	440,135	454,135	449,135	\$ 5,000
Auxiliary enterprises	1,583,009	1,756,331	1,798,125	\$ (41,794)
Intercollegiate athletics	2,460,961	2,587,740	2,558,773	\$ 28,967
Independent operations	-	-		\$ -
Capital outlay	3,847,638	10,307,561	5,873,216	\$ 4,434,345
Renewal and replacements	390,335	751,969	448,716	\$ 303,253
Retirement of indebtedness	2,146,902	2,044,034	2,132,352	\$ (88,318)
Total expenditures	12,375,831	19,780,716	14,688,754	5,091,962
Net Transfers	817,810	776,574	776,574	\$ -
Change in net position-budgetary basis	(3,615,393)	(3,486,146)	(985,791)	7,369,611
Ending Fund Balance	\$ 4,195,375	\$ 8,160,366	\$ 10,660,722	\$ 2,849,954

WESTERN NEW MEXICO UNIVERSITY
RESTRICTED -NON INSTRUCTION & GENERAL
REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
Revenues				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriations-state	-	-	-	-
Government appropriations-local	-	-	-	-
Government grants/contracts - federal	7,068,848	6,647,590	6,629,464	(18,126)
Government grants/contracts - state	1,041,500	1,720,741	1,214,406	(506,335)
Government grants/contracts -local	624,400	772,013	117,221	(654,792)
Private grants/contracts	220,000	184,080	792,753	608,673
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	-	30,355	-	(30,355)
Other sources	-	-	-	-
Total Restricted Revenues	8,954,748	9,354,779	8,753,844	(600,935)
Expenditures				
Instruction and general	-	-	-	-
Student social and cultural	11,100	11,377	15,421	(4,044)
Research	-	499,355	182,130	317,225
Public service	-	668,150	533,929	134,221
Internal service departments	-	2,279	2,046	233
Student aid	8,941,648	8,161,622	8,009,904	151,718
Auxiliary enterprises	-	11,240	10,110	1,130
Intercollegiate athletics	2,000	305	304	1
Independent operations	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
Total Restricted Expenditures	8,954,748	9,354,328	8,753,844	600,484
Net Transfers	-	-	-	-
Change in net position-budgetary basis	-	451	-	(451)
Ending Fund Balance	\$ -	\$ (451)	\$ -	\$ 451

WESTERN NEW MEXICO UNIVERSITY
UNRESTRICTED - INSTRUCTION & GENERAL
REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ 979,281	\$ 915,573	\$ 915,573	\$ -
Revenues				
Tuition	9,481,532	9,807,998	10,330,604	748,475
Miscellaneous fees	1,493,161	1,609,773	1,835,642	
Government appropriation - federal	-	-		
Government appropriations-state	18,539,500	18,539,500	18,539,505	5
Government appropriations-local	-	-		
Government grants/contracts - federal	10,000	10,000	30,636	20,636
Government grants/contracts - state	-	-		
Government grants/contracts -local	-	-		
Private grants/contracts	-	1,335	1,335	
Endowments	-	-		
Land and permanent fund	180,000	190,944	250,918	59,974
Private gifts	-	-		
Sales & service	490,762	518,153	469,417	(48,736)
Other sources	136,951	288,217	347,626	59,409
<i>Total Unrestricted Revenues</i>	<u>30,331,906</u>	<u>30,965,920</u>	<u>31,805,683</u>	<u>839,763</u>
Expenditures				
Instruction	16,510,840	16,683,236	15,673,073	1,010,163
Academic support	1,930,833	2,059,186	1,919,200	139,986
Student services	2,700,429	2,728,323	2,543,681	184,642
Institutional support	4,916,516	5,478,416	4,976,901	501,515
Oper. & maint. of plant	3,455,130	3,212,445	2,921,325	291,120
<i>Total Unrestricted Expenditures</i>	<u>29,513,748</u>	<u>30,161,606</u>	<u>28,034,180</u>	<u>2,127,426</u>
Net Transfers	(817,810)	(776,574)	(784,688)	8,114
Change in net assets-budgetary basis	348	27,740	2,986,815	2,959,075
<i>Ending Fund Balance</i>	<u>979,629</u>	<u>943,313</u>	<u>3,902,388</u>	<u>2,959,075</u>

WESTERN NEW MEXICO UNIVERSITY
RESTRICTED - INSTRUCTION & GENERAL
REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES
BUDGET COMPARISONS
YEAR ENDED JUNE 30, 2015

	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	180,895	1,077,458	896,563
Government grants/contracts - state	149,412	2,027,434	873,511	(1,153,923)
Government grants/contracts -local	-	37,430	28,968	(8,462)
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	-	-	-	-
Other sources	-	-	-	-
Total Restricted Revenues	339,312	2,245,759	1,979,937	(265,822)
Restricted Expenditures				
Instruction	135,235	2,050,086	1,791,446	258,640
Academic support	56,468	54,269	53,042	1,227
Student services	36,450	52,932	52,784	148
Institutional support	99,409	83,679	78,590	5,089
Oper. & maint. of plant	8,750	4,793	4,075	718
Total Restricted Expenditures	336,312	2,245,759	1,979,937	265,822
Net Transfers	-	-	-	-
Change in net assets-budgetary basis	-	-	-	-
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS
YEAR ENDED JUNE 30, 2015

Name of Bank	Account Type	Balance per bank statement	Balance per books
<hr/>			
Wells Fargo, Silver City, NM			
Federal funds	Checking	\$ 11.00	\$ 11.00
Bond Debt Service	Checking	1,575,311.00	1,575,311.00
Operating	Checking	3,339,880.00	3,163,748.00
Wells Fargo Brokerage Services, LLC			
Money market (U.S. Govt. Agency)	Money Market	125,881.00	125,881.00
Bank of The Southwest, T or C, NM			
Operating	Checking	995.00	1,000.00
1st National Bank, Centennial, CO			
Federal	Checking	62,345.00	62,345.00
Bank of New York (NMFA)	Reserve	767,077.00	767,077.00
Bank of Albuquerque (NMFA)	Reserve	2.00	2.00
Petty Cash	Cash on Hand	5,539.00	5,539.00
Watts Foundation			
Wells Fargo, Silver City, NM			
Operating	Checking	3,132.00	3,132.00
		<hr/>	<hr/>
PRIMARY INSTITUTION CASH		5,874,634.00	5,704,046.00
<hr/>			
First American Bank, Silver City, NM			
Operating	Checking	321,478.00	320,356.00
Money market	Money market	8,639.00	8,639.00
Wells Fargo Bank, Silver City, NM			
Operating	Checking	228,920.00	227,842.00
Wells Fargo #75051999	Money market	242,933.00	242,933.00
Various investment accounts			
Charles Schwab #1453-1100	Checking	12,219.00	12,219.00
Charles Schwab #7807-1329	Checking	1,028.00	1,028.00
		<hr/>	<hr/>
COMPONENT UNIT CASH		815,218.00	813,018.00
<hr/>			

WESTERN NEW MEXICO UNIVERSITY

SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)

YEAR ENDED JUNE 30, 2015

Name of Bank/Broker	Investment Type	Market Value
Primary Institution		
Wells Fargo, Silver City, NM Held in Wells Fargo vault	Stock	\$ 1,198,061
Wells Fargo Brokerage Services, LLC Brokered Certificates of Deposit (32 banks)	CDs	8,370,174
New Mexico Finance Authority Government Revenue Bonds (9)	Bond	2,794,571
Federal Home Loan Bank	Bond	
State Investment Council Land Grant Permanent Fund	See Note Below	3,771,727
Watts Foundation		
Bank of America, Silver City, NM Certificate of Deposit	CD	114,158
<i>Primary Institution Investments</i>		16,248,691
Component Unit		
Wells Fargo #75051999	Fixed income mutual fund	1,399,704
	Stock	3,864,037
	Real estate investment trust	697,986
	US Treasury bond	21,340
	Hedge funds	585,364
Charles Schwab #7807-1329	Stock	413,363
Charles Schwab #1453-1100	Limited partnership funds	176,383
	Stock	18,926
Held at WNMU Foundation	BP Amoco stock	9,990
<i>Component Unit Investments</i>		7,187,093

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, 2015 financial statements of the State Investment Council.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)
YEAR ENDED JUNE 30, 2015

	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 Silver City Brokerage Services, LLC	
FUNDS ON DEPOSIT						
Demand deposits	\$3,132	\$995	\$62,345	\$4,915,202	\$125,881	\$5,107,555 *
Certificates of Deposit	0	0	0	0	0	0
LESS Money Market (U.S. Govt. Agency)	0	0	0	0	(125,881)	(125,881)
FDIC INSURANCE						
Demand deposits, time deposits	(3,132)	(995)	(62,345)	(250,000)	0	(316,472)
TOTAL UNINSURED PUBLIC FUNDS	\$0	\$0	\$0	\$4,665,202	\$0	\$4,665,202

* Does not include Cash Held By Others (New Mexico Finance Authority) with no collateral requirements
Debt Service Funds (restricted) Bank of NY
\$ 767,079

AMOUNT SUBJECT TO 102% COLLATERAL \$0
AMOUNT SUBJECT TO 50% COLLATERAL \$4,665,202

Fifty percent collateral requirement per
Section 6-10-17 NMSA for above \$2,332,600

One hundred two percent collateral
requirements per Section 6-10-10 (H) NMSA \$0

AMOUNT OF COLLATERAL REQUIRED **\$2,332,600**

PLEGDED COLLATERAL

	Safe- keeping Location	Type of Security			
Wells Fargo	FMAC	CUSIP #31294MJJ1	-	-	7,624
Wells Fargo	FNMA	CUSIP #3138E2TA3	-	-	12,745
Wells Fargo	FNMA	CUSIP #3138E75F7	-	-	156,688
Wells Fargo	FNMA	CUSIP #3138ELQW6	-	-	204,799
Wells Fargo	FNMA	CUSIP #3138M6J61	-	-	48,980
Wells Fargo	FNMA	CUSIP #3138MQ7J6	-	-	1,447
Wells Fargo	FNMA	CUSIP #3138NYWW1	-	-	311,648
Wells Fargo	FNMA	CUSIP #3138W4Z61	-	-	204,521
Wells Fargo	FNMA	CUSIP #3138W5HR2	-	-	708,995
Wells Fargo	FNMA	CUSIP #3138W9AZ3	-	-	538,430
Wells Fargo	FNMA	CUSIP #3138WZCT7	-	-	233,684
Wells Fargo	FNMA	CUSIP #31416Y3S5	-	-	36,187
Wells Fargo	FNMA	CUSIP #31417EKV2	-	-	58,935
Wells Fargo	FNMA	CUSIP #31417ETA9	-	-	118,104
Wells Fargo	FNMA	CUSIP #31418ADH8	-	-	488,344
Total Pledged Collateral			-	-	3,131,131

**Deficit/(excess) of pledged collateral over the
required amount** **\$0** **\$0** **(\$798,531)** **\$0** **(\$798,531)**

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 VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (excluding GRT)
Year Ended June 30, 2015

RFB#/RFP#/State-Wide Price Agreement	TCPN #05-10207-14-001	Was to be on State contract/at final approval was open market	GSA#GS-02F-0122T GSA#GS-07F-0335Y
Purchase Order No.	P0061653	P0062605	P0064051
Type of Procurement	Joint Powers		GSA Contract
Awarded Vendor	Trane	Beck Total Office Interiors	Firehouse Mecial
Amount of Awarded Contract	\$59,911.77	\$81,387.37	\$77,240.12
Amount of Amended Contract	\$4,418.49		
Name and Physical Address of ALL Vendor(s) that responded	N/A	N/A	N/A
In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Out-of-State	In-State	Out-of-State
Was the vendor in-state and chose Veteran's preference (Y or N)	N/A	N/A	N/A
Brief Description of the Scope of Work	HVAC Replacement -GRC	Light Hall Funiture	Nursing Equipment SIM Manikins, accessories, maintenance agreement

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET POSITION LIABILITY
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*

	2015
The University's proportion of the net pension liability (asset)	0.63%
Proportionate share of the net pension liability (asset)	35,968,347
Covered-employee payroll	18,672,020
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	192.63%
Plan fiduciary net position as a percentage of the total pension liability	36.10%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the State of New Mexico will present information for those years for which information is available.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
LAST 10 FISCAL YEARS*

Plan	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
State Employee	\$ 2,243,923	\$ 2,243,923	\$ -	\$ 16,166,901	13.9%
ARP	\$ 45,209	\$ 45,209	\$ -	\$ 1,383,300	3.3%

*The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the University will present information for those years for which information is available.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

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		\$5,960,908
College Work-Study Program - FWS	84.033		200,000
Supplemental Educational Opportunity Grants - SEOG	84.007		105,293
Student Direct Loans	84.268		13,912,003
TEACH Grant	84.379		8,599
<i>Total Direct Student Financial Aid</i>			20,186,803
Pass-Through NM Department of Education			
Adult Basic Education-Basic Grants to States - ABE#2	84.002		70,455
Career and Technical Education-Basic Grants to States - Carl Perkins	84.048	850-000-0910-24177	159,990
Improving Teacher Quality State Grants (A) - Title II-EI Puente	84.367A	950-1200	25,159
<i>Total Indirect U.S. Department of Education</i>			255,604
Total U.S. Department of Education			\$20,442,407
<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	\$121,204
Job Opportunities for Low-Income Individuals - Assistance Program	93.596	11-690-11861	680,698
Biomedical Research and Research Training	93.859	2P20GM103451-14	59,056
Assistive Technology	84.224A	15-645-0100-002	38,848
Total Health and Human Services			\$899,806
US Department of the Interior			
Native American Graves Protection and Repatriation Act	15.922	NPS NAGPRA	\$27,327
Total Direct USDI			\$27,327
National Science Foundation			
Direct National Science Foundation			
Biological Sciences - NSF-NM Spider Wasps	47.074	1146875	\$44,153
Biological Sciences - NSF-NM Digital Forensics	47.076		12,123
<i>Total Direct National Science Foundation</i>			\$56,276
Pass-Through (NSF)			
Biological Sciences - NSF-NM AMP Senior Alliance	47.076	HRD-1305011	\$1,135
<i>Total Indirect National Science Foundation</i>			\$1,135
Total National Science Foundation			\$57,411
Other			
Small Business Development Centers - Small Business Development	59.037	9-603001-Z-0032-21	\$20,689
Total Federal Assistance			\$21,447,640

WESTERN NEW MEXICO UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

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 CFDA # 84.038. Total outstanding loans under this US Department of Education program at June 30, 2015, were \$762,087. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2015, were \$8,000. 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, 2015.

During the fiscal year ended June 30, 2015, the University processed \$13,912,003 of new loans under the Direct Guaranteed Student Loan Program, in addition to Stafford Loans, Parents Loans for Undergraduate Students, and Supplemental Loans for Students in the amount of \$356,749.



Independent Auditors' 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*

Tim Keller
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, 2015, 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, 2015.

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

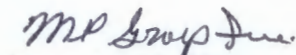
As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 items 2015-002 through 2015-007 and 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 University'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, 2015



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

Tim Keller
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, 2015. 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, 2015.

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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be significant deficiencies.

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 response.

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.

MT Group Inc
November 13, 2015

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.033, 84.063, 84.007, 84.379, 84.038, 84.268	Student Financial Assistance Cluster
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

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, 2015

SECTION II . FINANCIAL FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2014-001 Return of Title IV Funds	Resolved
2014-002 Stale Dated Checks	Repeated

CURRENT YEAR FINDINGS:

None

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION III . FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Funding Agency: Department of Health and Human Services
CFDA#: 93.596
Program: Child Care Development Fund
Pass Through Entity: New Mexico Children Youth Families Department

2015-001 Unallowable Costs – Compliance (Significant Deficiency, Noncompliance with Federal Awards)

Questioned Costs: \$17,150

Condition ó During our expenditures test work of this program we noted certain charges that appeared to be unallowable costs. In our sample of 44, we questioned two invoices related to purchases that were from the same vendor. We reviewed the list of expenditures for other items purchased from this vendor and noted no additional items. The invoices included various items branded with the logo of the University program that received federal funding under a subrecipient award from the State of New Mexico Children, Youth, and Families Department. These items were given away to attendees of trainings hosted by the University program.

Criteria ó The Office of Management and Budget Circular A-21 ó *Cost Principals for Educational Institutions* (óCircular A-21ö) details certain costs that are not allowed to be charged to federal or matching funds including the costs of promotional items and memorabilia, costs of advertising and public relations designed solely to promote the institution, contributions or donations, including cash, property and services, made by the institution, regardless of the recipient, and the costs of selling or marketing any products or services of the institution.

Cause – University personnel did not adhere to the requirements of Circular A-21.

Effect ó It appears that certain expenditures may not be allowed under Circular A-21. We noted a total of \$17,150 of questioned costs.

Recommendation ó Ensure all personnel involved with the requisition, approval, and/or purchase of goods or services using federal or matching funds familiarize themselves with all applicable federal requirements, including but not limited to, Circular A-21. Prohibit the Program from purchasing goods and services that are not allowed under Circular A-21.

Management’s Response óNo later than December 1, 2015, the Program Manager will ensure that the purchase of goods and services not allowed under Circular A-21 will not be allowed. All persons associated with the program that have purchasing authority have received a copy of the OMB Circular A-21, and have been made aware of the guidelines set forth in this manual.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION IV . OTHER FINDINGS

2015-002 Best Obtainable Price – (Other Noncompliance)

Condition ó During our expenditure test work we noted two instances out of the 44 tested where it appeared the University may not have received the best obtainable price for the purchase of goods. In one instance, the University incurred \$315 of shipping fees for goods and services purchased from an out-of-state vendor. The items purchased appear to be available locally. In the second instance, the University, near the end of the year, purchased an unusually large amount of office supplies. The University is now renting storage buildings to house, in part, the office supplies purchased.

Criteria ó NMAC 1.4.1.50 indicates that a state agency may procure services, construction or items of tangible personal property having a value not exceeding twenty thousand dollars by issuing a direct purchase order to a contractor based upon the best obtainable price and in accordance with any procedures or processes set forth by the state purchasing agent.

Cause – A Program of the University wanted to use funding available in the current year and was either unwilling or unable to obtain a purchase order or use the p-card to make the purchases.

Effect óA Program of the University appears to have overpaid for certain goods. Because the Program purchased an abundance of office supplies that it could not reasonable maintain, it continues to pay for storage that would otherwise be unnecessary.

Recommendation ó Ensure the Program only buys goods that will be used reasonably soon after purchase. Require that all purchases be made locally whenever possible to avoid shipping costs.

Management's Response ó No later than December 1, 2015, the Program Manager will ensure that the purchases for daily use items, such as office supplies, will be made with the intent that the items will be used within a reasonable time frame. The program will become cognizant of purchasing materials locally to avoid shipping costs whenever possible.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION IV . OTHER FINDINGS

2015-003 Annual inspection of Fixed Assets (Other Noncompliance)

Condition ó During our capital asset test work we noted that a comprehensive physical verification of capital assets had not been performed recently. In addition, the capital asset inventory sheet does not include the asset number , description, location, manufacturer name, model number or name, serial number or VIN, estimated useful life, acquisition date, cost and/or fund for every item on the list.

Criteria ó Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year

Cause – University personnel have failed to perform a timely physical verification of capital assets. Additionally, University personnel have failed to maintain the capital asset inventory list with all pertinent information.

Effect ó Without adequate records and a periodic physical verification processes, University property can get misplaced and its disappearance not be discovered timely.

Recommendation ó Perform periodic physical verification processes. Ensure the capital asset inventory records are complete and updated timely.

Management's Response ó A master capital asset inventory list with all pertinent information will be maintained by the Accountant within the Office of Business Affairs, or designee. Physical inventory verifications will be made by Accountant or designee no less than once per fiscal year, to begin in FY 2016.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II . OTHER FINDINGS

2015-004 Procurement – (Other Noncompliance)

Condition ó During our test work of a sample of 58 items, we noted one instance where University personnel negotiated and executed a contract for goods exceeding \$60,000 without regard to the State mandated procurement process.

Criteria ó Pursuant to NMSA 1978 Section 13-1-102, all procurement shall be achieved by the competitive sealed bids method or the competitive sealed proposals method unless the purchase can be achieved pursuant to sections 98-100 and 102-103. The contract in question did not qualify as a purchase that could be achieved by other sections as outlined in the Procurement code and thus must be achieved by the competitive sealed bids method or the request for proposals method.

Cause – University personnel relied on a third party statement that the purchase fell under an existing State contract rather than performing due diligence. Ultimately, University personnel failed to comply with the State Procurement Code by not obtaining competitive sealed bids or competitive sealed proposals from potential bidders.

Effect ó The University violated State statutes. The University may have paid more than necessary for the purchased goods.

Recommendation ó Ensure University personnel are following the internal accounting control procedures related to procurement. Monitor large purchases and work with the State Purchasing Division at the General Services Department to ensure future compliance with State statutes.

Management's Response ó The University will implement procurement procedures no later than December 1, 2015, to include review of large purchases by the Assistant Vice President of Business Affairs, to ensure compliance with State statutes.

WESTERN NEW MEXICO UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION IV . OTHER FINDINGS

2015-005 - Budget Overspending (Other noncompliance)

Condition

We noted that the University overspent its approved budget in combined unrestricted and restricted expenditures budget in the following expenditure categories:

Auxiliary enterprises	\$	40,664
Intercollegiate athletics		28,968
Retirement of indebtedness		88,318

Criteria

Per statute 5.3.4.10 NMAC, total expenditures may not exceed amounts shown in the approved budgets. Adequate internal controls to minimize budget overspending should ensure that budgets are not exceeded by any amount. The point in the disbursement cycle in which the transaction should be cancelled if budget is not available is at the beginning with the purchase request.

Cause

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

Effect

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

Recommendation

We recommend that budget controls and processes at the University be strengthened to ensure that budgeted amounts are not overspent and budget adjustment requests are completed on a timely basis. Additionally, we recommend the University put into place a formal medium to long range plan to strengthen its overall financial condition.

Management Response

The University will put budget controls in place, to include quarterly reviews by the Assistant Vice President of Business Affairs or designee, to ensure overspending does not occur and budget revisions are processed in a timely manner.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION IV . OTHER FINDINGS

2015-006 Budget Adjustment- Other Matters

Condition ó The University sent a budget adjustment request (BAR) to the Department of Higher Education (HED). The information upon which the BAR was based was prepared as intended. The actual BAR contained one or more errors which caused the BAR approved by HED to be incorrect.

Criteria ó Proper accounting procedures implicitly contain a level of care necessary to generate and record accurate information. Additionally, proper procedures include a review process to insure the propriety of generated information.

Cause – University personnel didn't exercise adequate care during the preparation of the BAR. The review process in place at the University failed to detect the error.

Effect ó The final approved BAR included incorrect balances.

Recommendation ó Ensure University personnel exercise due care during the preparation of BARs and all other financial schedules. Evaluate the review process currently used by University personnel.

Management's Response ó The University will establish a review process no later than January 1, 2016 by which the Vice President of Business Affairs will review submittals of financial schedules to the State, to ensure accuracy for the purpose of obtaining formal approvals.

WESTERN NEW MEXICO UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION IV . OTHER FINDINGS

2015-007 Late Audit- Other Matters

Condition ó The University implemented GASB 68 in the fiscal year 2015. The retirement organization sent an original worksheet to calculate the amount, but sent out an amended worksheet that management did not receive which resulted in the financial statements being rejected and not meeting the New Mexico Office of the State Auditor's deadline of November 15, 2015.

Criteria ó Per Sections 2.2.2.9(C) and 2.2.2.13 (A) NMAC Audit Rule 2015 *Requirements for Contracting and Conducting Audits of Agencies*, the State Auditor determined that it was not completed in a sufficient manner.

Cause – An amended worksheet that would have resulted in the correct financial statements being turned in were not sent to the University.

Effect ó The University was late in filing their financial statements

Recommendation ó Management should consider confirming the information with appropriate agencies to ensure it is accurate, complete and current before issuing the financial statements to Office of the State Auditor.

Management's Response ó The Assistant Vice President for Business Affairs will prepare a schedule of required information from outside parties for completion of the financial statements by May 1, 2016. This schedule will be reviewed during preparation of the financial statements to ensure all needed information is received and accurate. A follow up with outside parties will take place prior to issuing the financial statements to the Office of the State Auditor.

WESTERN NEW MEXICO UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION IV . OTHER FINDINGS

2014-002 Stale Dated Checks (Other Noncompliance)

Statement of Condition ó 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. This finding has not been resolved from the previously issued June 30, 2014 financial statements due to the change in personnel during the year.

Criteria ó 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 óThe University may not in compliance with New Mexico Uniform Unclaimed Property Act (1995)

Recommendation ó 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 ó The University will implement procedures to be put into place as part of the bank reconciliation process, to review outstanding checks, write off any that are over a year old, and submit them to the state as unclaimed property in accordance with the New Mexico Uniform Unclaimed Property Act (1995) [7-8A-1 to 7-8A-31] no later than December 1, 2015. In addition, the process will include review by the Assistant Vice President of Business Affairs, to ensure compliance.

WESTERN NEW MEXICO UNIVERSITY
EXIT CONFERENCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

EXIT CONFERENCE:

The exit conference was held November 13, 2015 and was attended by the following:

From Western New Mexico University:

Dr. Joseph Shepard, President
Dr Brenda Findley, Vice President of Business Affairs
Kelly Riddle, Assistant Vice President of Business and Finance
Cynthia Martinez, Budget Director
Janice Baca-Argabright, Regent, President
Gabrielle S. Begay, Regent, Secretary/Treasurer

From MP Group, Inc.:

Scott Peck, CPA
Michael L. Moore, CPA