

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

Basic Financial Statements and Schedules  
For the Fiscal Year Ended June 30, 2016  
(With Independent Auditors' Report Thereon)



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JUNE 30, 2016

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OFFICIAL ROSTER  
JUNE 30, 2016

**BOARD OF REGENTS**

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## **INDEPENDENT AUDITORS' REPORT**

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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, 2016, and the related notes to the financial statements which collectively comprise the University's basic financial statements as listed in the table of contents. We also have audited the budget comparisons presented as supplemental information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance 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, 2016, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of College's Proportionate Share of the Net Pension Liability, and Schedule of College's Contributions on pages 5 through 10, 54 and 55 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.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the University and do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2016, 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 opinion is not modified with respect to this matter.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements and the budgetary comparisons. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 11, 2016 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 11, 2016

**WESTERN NEW MEXICO UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 JUNE 30, 2016

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

Western New Mexico University is proud to present its financial statements for fiscal year 2016. 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.

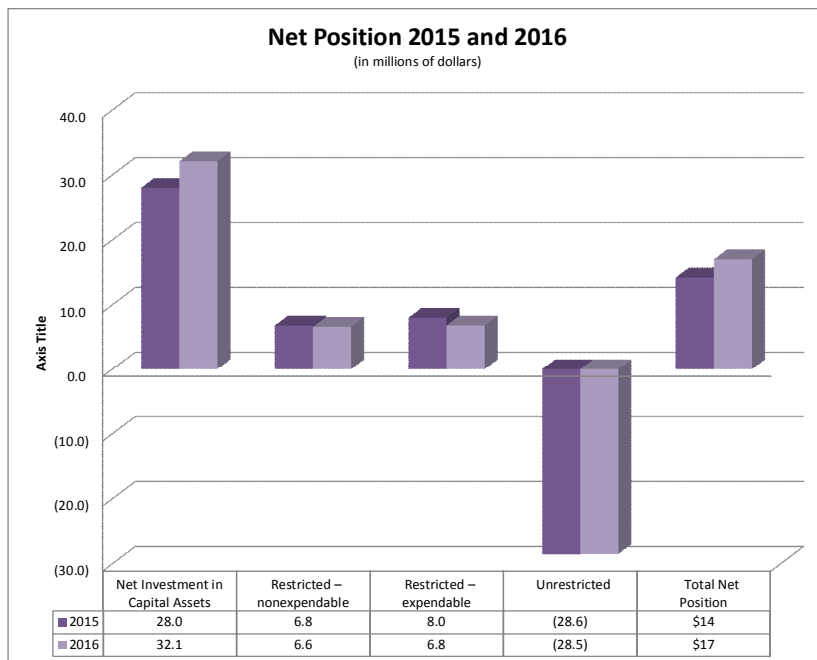
This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year.

**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. Nonexpendable restricted net position is restricted for expenditures that fall within these three categories; scholarships and loans, capital projects, and debt service. The final category is unrestricted net position. Unrestricted net position is available to the institution for any lawful purpose of the institution.



**WESTERN NEW MEXICO UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

**Statement of Net Position continued**

The total net position of the institution increased \$2.7 million from current year activity. A review of the Statement of Net Position will reveal a negative Unrestricted Net Position, resulting from implementation of 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 institution's proportionate share, affecting the unrestricted net position, was \$38.2 million. Although this additional reporting of pension liability created a negative unrestricted net position, the overall net position of the institution remains positive. The increase in total net assets and deferred outflows of \$2 million is mostly resulting from an increase in cash, cash equivalents, and cash endowments of \$2.4 million. Cash used by operating activities and capital related financing decreased, while cash provided by investing increased. An increase in Capital Assets of \$2.7 million as land, buildings, and library materials were capitalized also attributed to the increase in total net assets. The total liabilities for the year decreased by \$.8 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.

	June 30		Variance
	2015	2016	
<b>Assets</b>			
Current assets	\$20,004,601	\$21,181,038	\$1,176,437
Noncurrent assets	55,905,782	58,484,608	2,578,826
Deferred Outflows	4,593,052	2,818,039	(1,775,013)
<b>Total Assets and Deferred Outflows</b>	<b>\$80,503,435</b>	<b>\$82,483,685</b>	<b>\$1,980,250</b>
<b>Liabilities</b>			
Current liabilities	5,917,006	5,291,504	(625,502)
Noncurrent liabilities	56,511,489	57,346,570	835,081
Deferred Inflows	3,805,502	2,799,275	(1,006,227)
<b>Total Liabilities and Deferred Inflows</b>	<b>\$66,233,997</b>	<b>\$65,437,349</b>	<b>(\$796,648)</b>
<b>Net Position</b>			
Invested in capital assets,			
Net of debt	28,077,615	32,179,239	4,101,624
Restricted . nonexpendable	6,786,941	6,575,122	(211,819)
Restricted . expendable	8,024,468	6,760,918	(1,263,550)
Unrestricted	(28,619,586)	(28,468,943)	150,643
<b>Total Net Position</b>	<b>\$14,269,438</b>	<b>\$17,046,336</b>	<b>\$2,776,898</b>

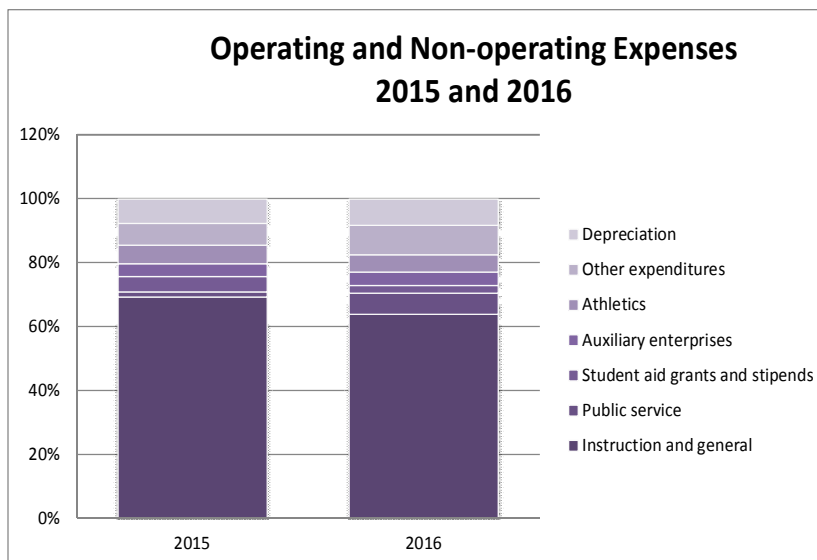
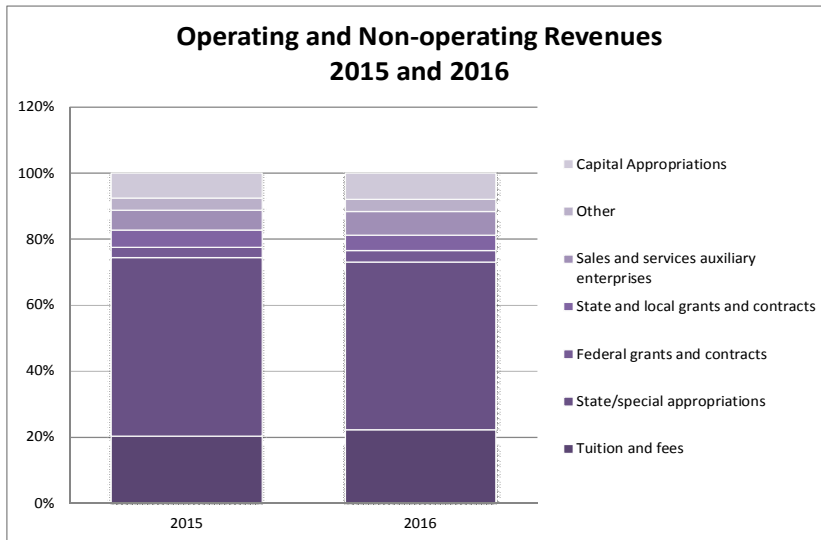


**WESTERN NEW MEXICO UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

**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 earned by the institution, both operating and non-operating, and the expenses incurred by the institution, operating and non-operating, and any other revenue, expenses, gains and losses earned or incurred by the institution.

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



**WESTERN NEW MEXICO UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 JUNE 30, 2016

**Statement of Revenues, Expenses and Changes in Net Position continued**

The Statement of Revenues, Expenses and Changes in Net Position reflect a decrease in the change of net position at the end of the year of \$1.9 million. Overall, operating revenues were up by \$2.9 million with an approximate \$1.4 million increase in tuition and fees. Although tuition rates did not increase in fiscal year 2016, the institution recognized an increase in non-resident and online enrollment, generating an increase in tuition revenue. Non-operating revenues decreased \$80 thousand, due to a mid-year cut in governmental appropriations from the state. This was offset by an increase in capital appropriation. Expenses increased in total by \$3.9 million. The pension expense recognized in fiscal year 2016 was \$3 million.

	June 30		Variance
	2015	2016	
<b>Operating Revenues</b>			
Tuition and fees	\$9,994,458	\$11,395,707	\$1,401,249
Federal grants and contracts	1,526,786	1,797,335	270,549
State and local grants and contracts	2,620,190	2,387,187	(233,003)
Sales and services auxiliary enterprises	2,979,423	3,589,517	610,094
Other	1,738,303	1,868,932	130,629
<i>Total Operating Revenue</i>	<b>18,859,160</b>	<b>21,038,678</b>	<b>2,979,137</b>
<b>Expenses</b>			
Instruction and general	30,888,595	31,821,932	933,337
Public service	711,161	3,009,832	2,298,671
Student aid grants and stipends	2,083,761	1,184,805	(898,956)
Auxiliary enterprises	1,808,235	1,914,045	105,810
Athletics	2,559,077	2,499,919	(59,158)
Other expenditures	3,052,337	4,189,202	1,136,865
Depreciation	3,415,520	3,866,142	450,622
<i>Total Expenses</i>	<b>44,518,686</b>	<b>48,485,877</b>	<b>3,967,191</b>
<i>Operating Loss</i>	<b>-25,659,526</b>	<b>-27,447,199</b>	<b>-1,787,673</b>
<b>Nonoperating Revenues (Expenses)</b>			
State appropriations/special appropriations and other nonoperating revenue	26,562,795	26,097,931	(464,864)
Gain/(Loss) before other revenues and expenses	903,269	-1,349,268	(2,252,537)
Other revenues/(expenses)	3,741,412	4,126,166	384,754
<i>Net Increase/(Decrease) in Net Position</i>	<b>\$4,644,681</b>	<b>\$2,776,898</b>	<b>(\$1,867,783)</b>

**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-

**WESTERN NEW MEXICO UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 JUNE 30, 2016

**Statement of Cash Flows continued**

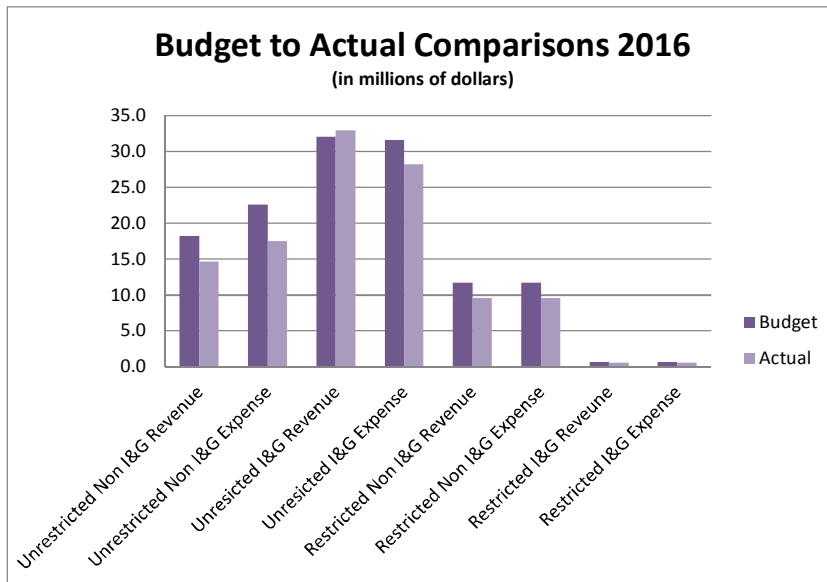
capital financing purposes. The third section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fourth section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

	June 30		Variance
	2015	2016	
Net cash used by operating activities	(\$22,000,230)	(\$20,832,546)	\$1,167,684
Net cash provided by noncapital financing activities	26,398,913	25,792,111	(606,802)
Net cash provided by investing activities	(349,570)	380,754	730,324
Net cash used by capital and related financing	(3,545,119)	(2,870,586)	674,533
Net increase (decrease) in cash and cash equivalents	503,994	2,469,733	1,965,739
Cash at beginning of year	5,200,052	5,704,046	503,994
<b>Cash at end of year</b>	<b>\$5,704,046</b>	<b>\$8,173,779</b>	<b>\$2,469,733</b>

**Capital Asset and Debt Administration**

The institution had some capital asset additions for facilities in the current fiscal year from the completion of two major renovation projects, Light Hall Phase III and the Student Fitness Center. The institution also acquired two additional properties adjacent to main campus. 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 fund balance shows a favorable variance of \$3.9 million. This favorable variance was owing to an increase in revenue of \$.9 million, a decrease in expense of \$3.3 million, and additional transfers of \$.3 million. The decrease in expense was most recognized in salary and benefit savings of \$2 million. Salary and benefits are fully budgeted; therefore, any lag in hiring creates a budget savings. Also, some positions may be left vacant throughout the remainder of the year. Variances in non-I&G revenue and

**WESTERN NEW MEXICO UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

**Budget/Actual Variances continued**

expense result mostly from budgeting capital outlay revenue and expense as if all projects were to be completed during the fiscal year. Restricted revenue and expenditure budgets were revised to reflect grants obtained by the institution after the start of the fiscal year. Actual performance in restricted funds was different from the final budget due to multi-year grants being awarded yet budgeted for the current year. Remaining revenue and expenditures will occur in the subsequent year based on the multi-year awards. In addition, restricted student aid expenditures were under the final budget due to the change in Pell disbursement.

**Comparative Analysis**

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

**Economic Outlook:**

The current economic outlook of the nation and local economic conditions will have a significant impact regarding future enrollment. This fall semester of 2015 resulted in enrollment levels slightly 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.

The State of New Mexico experienced its most visible economic hardship during the fiscal year with the continuous decrease in oil prices. This had a trickle-down effect on higher education with a mid-year appropriation cut. This impacted Western New Mexico University in the amount of \$124 thousand. With a healthy fund balance in place, this cut did not impact positions. Although the institution favors well in the funding formula based on positive student outcomes, to include completion of degrees and certifications, this will only result in allocation of funds if they are available for Higher Education within the State's budget.

**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, 2016

	Primary Government	Component Unit
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,102,893	\$ 560,547
Cash and cash equivalents-restricted	1,091,080	-
Cash endowments	211,561	-
Cash held by others-restricted	768,244	-
Cash restricted for other organizations	-	220,687
Accounts receivable, net of \$5,478 and \$0 allowance	676,916	1,300.00
Federal Contract and grant receivables, net of \$0 allowance	571,766	-
State Contract and grant receivables, net of \$0 allowance	296,057	-
Private Contract and grant receivables, net of \$0 allowance	36,209	-
Student receivables, net of \$2,949,133 allowance	609,733	-
Capital grant receivables	605,552	-
Due from WNMU Foundation	152,369	-
Short-term Investments	9,767,268	-
Inventories	5,721	-
Prepaid assets	285,669	-
<i>Total current assets</i>	21,181,038	782,534
<b>Noncurrent Assets</b>		
Accounts receivable, net of \$0 allowance	159,466	-
Endowment investment	6,363,560	7,121,464
Capital assets, net of accumulated depreciation	51,961,582	8,892
<i>Total noncurrent assets</i>	58,484,608	7,130,356
<b>Deferred Outflows</b>		
Deferred Outflows	2,818,039	
<b><i>Total assets and deferred outflows</i></b>	<b>\$ 82,483,685</b>	<b>\$ 7,912,890</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables and accrued liabilities	\$ 3,097,241	\$ 1,732
Accrued compensated absences	116,466	-
Accrued incentive retirement payable	123,291	-
Unearned revenue	359,030	-
Bonds payable - current portion	1,445,107	-
Due to Western New Mexico University	-	152,815
Deposits held for others	150,369	220,687
<i>Total current liabilities</i>	5,291,504	375,234
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	568,629	-
Accrued incentive retirement payable	235,191	-
Net Pension Liability	38,205,514	-
Bonds payable - long-term portion	18,337,236	-
<i>Total noncurrent liabilities</i>	57,346,570	-
<b>Deferred Inflows</b>		
Deferred Inflows	2,799,275	
<b><i>Total liabilities and deferred inflows</i></b>	<b>65,437,349</b>	<b>375,234</b>

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

# WESTERN NEW MEXICO UNIVERSITY

## STATEMENT OF NET POSITION

JUNE 30, 2016

	Primary Government	Component Unit
<b>Net Position</b>		
Net investment in capital assets	32,179,239	8,892
Restricted for		
Nonexpendable		
Restricted (endowment fund balances)	6,575,122	7,384,440
Expendable		
Scholarships, research, instruction and other loans	383,075	151,131
Capital projects	3,736,192	-
Debt service	2,641,651	-
Unrestricted	(28,468,943)	(6,807)
<i>Total net position</i>	17,046,336	7,537,656
<b><i>Total liabilities and net position</i></b>	<b>\$ 82,483,685</b>	<b>\$ 7,912,890</b>

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

**WESTERN NEW MEXICO UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2016**

	Primary Government	Component Unit
<b>Operating Revenues</b>		
Tuition and fees	\$ 18,079,109	\$ -
Tuition discounts and allowances	(6,683,402)	-
	11,395,707	-
Federal grants and contracts	1,797,335	-
State and local grants and contracts	2,234,471	-
Private grants and contracts	152,716	-
State land and permanent fund and investment income	237,917	-
Sales and services of auxiliary enterprises	3,589,517	-
Contributions	-	268,389
Other	1,631,015	42,784
<i>Total operating revenues</i>	21,038,678	311,173
<b>Operating Expenses</b>		
Instruction and general		
Instruction	16,288,289	-
Academic support	1,990,182	-
Student services	2,222,653	-
Institutional support	8,348,226	-
Operations and maintenance support	2,972,582	-
	31,821,932	-
Public service	3,009,832	-
Student aid grants and stipends	7,868,207	-
Tuition discounts and allowances	(6,683,402)	-
Auxiliary enterprises	1,914,045	-
Athletics	2,499,919	-
Other expenditures	4,189,202	-
Awards and grants to individuals	-	120,332
Operating expenses	-	257,131
Depreciation	3,866,142	1,891
<i>Total expenses</i>	48,485,877	379,354
<i>Operating (loss) income</i>	(27,447,199)	(68,181)

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, 2016

	Primary Government	Component Unit
Non operating revenues (expenses)		
Federal Pell Grants	5,234,976	-
State appropriations	20,557,135	-
Contribution to permanent endowment		122,915.00
Interest and investment income	305,820	(69,741.00)
<i>Net nonoperating revenues</i>	26,097,931	53,174
<i>(Loss) income before other revenues, expenses, gains and losses</i>	(1,349,268)	(15,007)
Other		
Capital appropriations	4,126,086	-
Endowment Revenue	80	
<i>Net other revenues/expenses/gains and losses</i>	4,126,166	-
<i>Increase/(Decrease) in net position</i>	2,776,898	(15,007)
Net position		
Net position - beginning of year	14,269,438	7,552,663
<b><i>Net position, end of year</i></b>	<b>\$ 17,046,336</b>	<b>\$ 7,537,656</b>

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



# WESTERN NEW MEXICO UNIVERSITY

## STATEMENT OF CASH FLOWS

JUNE 30, 2016

	Primary Government	Component Unit
<b>Cash Flows From Operating Activities</b>		
Adjustment to reconcile increase in net assets to net cash provided by operating activities		
Tuition and fees	\$ 18,304,077	\$ -
Grants and contracts	4,264,224	-
Sales and services of auxiliary enterprises	3,606,426	-
Other operating receipts	1,911,942	316,623
Payments to employees for salaries and benefits	(24,468,696)	(30,445)
Payments to suppliers	(7,384,004)	(237,810)
Loans and grants issued to students	(17,066,515)	(120,332)
<i>Net cash (used) provided by operating activities</i>	(20,832,546)	(71,964)
<b>Cash Flows From Noncapital Financing Activities</b>		
Federal Pell grants	5,234,976	-
Donation and pledges		122,915.00
State appropriations	20,557,135	-
<i>Net cash (used) provided by noncapital financing activities</i>	25,792,111	122,915.00
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(3,800,000)	(2,612,938)
Interest received on investments	305,820	110,829.00
Sale of investments	3,874,934	2,497,997
<i>Net cash (used) provided by investing activities</i>	380,754	(4,112)
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of capital assets	(6,557,661)	-
Capital appropriations received	5,062,075	-
Repayments of capital debt	(1,375,000)	-
<i>Net cash (used) provided by capital and related financing activities</i>	(2,870,586)	-
<i>Net (decrease) increase in cash and cash equivalents</i>	2,469,733	46,839
Cash and cash equivalents, beginning of year	5,704,046	1,012,734
<b><i>Cash and cash equivalents, end of year</i></b>	<b>\$ 8,173,779</b>	<b>\$ 1,059,573</b>

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

# WESTERN NEW MEXICO UNIVERSITY

## STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

	Primary Government	Component Unit
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH (USED)/PROVIDED BY OPERATING ACTIVITIES</b>		
Operating (loss) income	\$ (27,447,199)	\$ (68,181)
Adjustments to reconcile operating (loss) income to net cash (used)/provided by operating activities		
Depreciation expense	3,866,143	1,889
Bond premium amortization expense	(35,106)	-
Net pension expense	3,005,953	-
Unrealized (gain)/loss on investments	42,930	-
Endowment	80	-
Changes in assets and liabilities		
Receivables	326,822	5,450
Inventories	23,953	-
Other assets	1,360	-
Accounts payable and accrued expenses	(646,267)	(11,122)
Deposits held for others	16,909	-
Unearned revenue	(22,152)	-
Accrued incentive retirement payable	(32,220)	-
Compensated absences	66,248	-
<b><i>Net cash (used) provided by operating activities</i></b>	<b>\$ (20,832,546)</b>	<b>\$ (71,964)</b>

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

**WESTERN NEW MEXICO UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

The mission of Western New Mexico University is to engage and empower 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 the fall of 2015, Western New Mexico University's student enrollment was 3,414 (including its off-campus educational centers) taught by 150 faculty members. The campus consists of 53 buildings on 230 acres. Nearly half (49.5%) of the University'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 the University's students come from other countries including Australia, Bangladesh, Brazil, Canada, China, France, Germany, Israel, Italy, Japan, Kazakhstan, New Zealand, Mexico, Morocco, Nigeria, Philippines, Spain, Ukraine, and United Kingdom. Students range in age from late teens to senior citizens. The University's students are 64% female, 36% male and have been recognized as a strength for the bilingual and multi-cultural population of the region. The four largest ethnic groups are Hispanic (37%), White (32%), American Indian (3%), and African American (6%).

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

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2016

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

basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. Grants are recognized when all eligibility requirements are met. The University applies all applicable Government Accounting Standards Board (GASB) pronouncements. The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB.

*Reporting Entity.* In 2013, The University implemented Governmental Accounting Standards Board 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.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2016

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

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.

*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.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2016

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

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

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

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

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

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

*Unearned Revenue.* Revenue for each academic session is reported within the fiscal year during which the session's refund period ends. 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.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2016

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 25 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, 2016.

*Compensated Absences.* The University accounts for the accumulated vacation leave on the accrual basis in accordance with GASB 16. All permanent, full-time employees accumulate vacation time as listed below. Part-time employees are prorated proportionately. Employees may accumulate up to a maximum of 168 hours (4 weeks) vacation time during their period of employment; however, any unused vacation balance will be paid to the employee up to a maximum of 160 hours upon termination of employment. The vacation accrual for the President was negotiated at 450 hours. Accumulated unpaid vacation is accrued when incurred in the current unrestricted fund. At June 30, 2016, the accrued vacation pay amounted to \$685,095. 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

**WESTERN NEW MEXICO UNIVERSITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

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

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

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

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

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

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

*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



**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2016

**NOTE 2. CASH AND INVESTMENTS continued**

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, 2016

*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, 2016.

Investments of \$16,130,828 for the University and \$7,121,464 for the Foundation at June 30, 2016 represent longer term investments in debt and equity securities, including, but not limited to, pooled or common trust funds holding such types of securities, subject to any specific limitation set forth in the applicable gift instrument.

The University's endowment securities had a market decrease during the year of \$34,960 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 from the endowment were awarded in the amount of \$145,340 during 2016. The remaining earnings remain in the nonexpendable restricted portion of the net position.

The Foundation endowment securities also had a market decrease of \$69,741 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, 2016.

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

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2. CASH AND INVESTMENTS continued**

At June 30, 2016, the investments of the University consisted of the following:

	June 30, 2016	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Inputs Level 2	Significant Other Inputs Level 3
<b>Primary Institution</b>				
Government-backed revenue bonds	\$1,650,742	\$1,650,742	\$0	\$0
NM Municipal	382,369	382,369	-	-
Certificates of deposit (Includes Watts Foundation)				
Endowment Securities	9,284,525	9,284,525	-	-
Equity securities	1,163,101	1,163,101	-	-
Investment held by others*	3,650,091	3,650,091	-	-
<b>Total Investments</b>	<b>\$16,130,828</b>	<b>\$16,130,828</b>	<b>\$0</b>	<b>\$0</b>

At June 30, 2016, the investments of the University's component unit consisted of the following:

	June 30, 2016	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Inputs Level 2	Significant Other Inputs Level 3
<b>Component Unit</b>				
Endowment securities:			\$0	\$0
U.S Treasury notes	22,556	22,556	-	-
<i>Total U.S. Government and Agency Securities</i>				
	22,556	22,556	-	-
Equity securities	4,077,193	4,077,193	-	-
Real estate investment trust	800,727	800,727	-	-
Limited partnerships	157,171	157,171	-	-
Hedge funds	567,516	567,516	-	-
Certificate of deposit	-	-	-	-
Bond mutual funds	1,496,301	1,496,301	-	-
<b>Total Investments</b>	<b>\$7,121,464</b>	<b>\$7,121,464</b>	<b>\$0</b>	<b>\$0</b>

\*This amount represents the University's undivided interest in the State of New Mexico Land Grant Permanent Fund held by the New Mexico State Investment Council. In accordance with State Statutes, the Land Grant Permanent Fund is held by the State of New Mexico for the benefit of the University.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2. CASH AND INVESTMENTS continued**

*Collateralization of Deposits.* At June 30, 2016, 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	\$331,816	\$604,991
Amount insured by the Securities Investor Protection Corporation	-	181,188
Amount collateralized with securities held in the University's name by their agent	5,127,341	-
Uncollateralized	2,244,880	-
Uncollateralized (NMFA fbo WNMU)	768,244	-
<i>Total Cash and Time Deposit Bank Balances</i>	8,472,281	786,175
Other reconciling items on deposit accounts	(298,503)	(4,941)
<b><i>Total reported cash balance</i></b>	<b>\$8,173,778</b>	<b>\$781,238</b>

*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, 2016, \$2,244,880 of the University's bank balance 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, 2016

**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, 2016 is:

	Fair Value	Less Than One Year	1 . 5 Years	6 . 10 Years	Greater Than 10 Years
<b>Long-Term Investments:</b>					
<b><u>Primary Institution:</u></b>					
Items not subject to interest rate risk:					
Equity securities and investments held by others	\$4,813,192	\$-	\$-	\$-	\$-
Certificate of deposit	9,284,525	2,421,748	6,862,777	-	-
Government revenue bonds	500,020	-	500,020	-	-
NM Municipal bonds	382,369	70,090	153,924	158,355	-
Federal Home Loan notes	1,150,722	-	650,397	500,325	-
<b>Total long-term investments</b>	<b>\$16,130,828</b>	<b>\$2,491,838</b>	<b>\$8,167,118</b>	<b>\$658,680</b>	<b>\$-</b>

The University invests in equity securities in accordance with the laws of 1991, Chapter 69 of the State of New Mexico and Chapter 21, Article 1, Section 10 of the NMSA, 1978 Compilation. The brokered certificates of deposits were purchased in increments between \$100,000 and \$500,000 at 34 separate financial institutions and are fully insured by FDIC.

	Fair Value	Less Than One Year	1 . 5 Years	6 . 10 Years	Greater Than 10 Years
<b>Long-Term Investments:</b>					
<b><u>Component Unit:</u></b>					
Items not subject to interest rate risk:					
Equity securities, mutual funds and bonds	\$5,602,607	\$-	\$-	\$-	\$5,602,607
REIT/ltd partnerships/hedge funds	1,496,301	-	-	-	1,496,301
U.S. Government agency oblig.	22,556	-	-	-	22,556
Certificates of deposit	-	-	-	-	-
<b>Total long-term investments</b>	<b>\$7,121,464</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$7,121,464</b>

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

**Credit Risk.** The University's investment policy limits investment in money market instruments and other securities of commercial banks, broker-dealers or recognized financial institutions to those

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2. CASH AND INVESTMENTS continued**

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, 2016, FDIC insurance in the amount of \$604,991 was in place; the remaining balance of \$181,188 of the component unit's bank balance of \$786,175 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, 2016, the University's endowment balance in certificates of deposit was \$1,275,983 with \$158,355 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, 2016.

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, 2016, 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**  
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**NOTE 3. CAPITAL ASSETS**

Following are the changes in capital assets for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
Capital assets not being depreciated:					
Land	\$1,282,784	\$51,697	\$-	\$-	1,334,481
Collections	446,830	-	-	-	446,830
Construction in process	5,550,707	532,295	(5,493,445)	-	589,557
<b>Total capital assets not being depreciated</b>	<b>\$7,280,321</b>	<b>\$583,992</b>	<b>(\$5,493,445)</b>	<b>\$-</b>	<b>2,370,868</b>
Other Capital Assets:					
Land improvements	\$3,910,320	\$915,141	\$628,013	\$-	\$5,453,474
Buildings	85,969,804	4,118,602	4,865,432	-	94,953,838
Equipment	11,586,648	789,027	-	\$(57,680)	12,317,995
Library materials	11,837,121	150,900	-	(100,103)	11,887,918
<b>Total other capital assets</b>	<b>\$113,303,893</b>	<b>\$5,973,670</b>	<b>\$5,493,445</b>	<b>\$(157,783)</b>	<b>\$124,613,225</b>
Less Accumulated Depreciation for:					
Land improvements	\$2,616,535	\$137,889	\$-	\$-	\$2,754,424
Buildings	48,170,713	2,794,793	-	-	50,965,506
Equipment	9,756,240	695,670	-	(57,680)	10,394,230
Library materials	10,770,663	237,791	-	(100,103)	10,908,351
<b>Total accumulated depreciation</b>	<b>\$71,314,151</b>	<b>\$3,866,143</b>		<b>\$(157,783)</b>	<b>\$75,022,511</b>
<b>Other capital assets, net</b>	<b>\$41,989,742</b>	<b>\$2,107,527</b>	<b>\$-</b>	<b>\$-</b>	<b>\$49,590,714</b>
Capital Assets Summary:					
Capital assets not being depreciated	\$7,280,321	\$583,992	(\$5,493,445)	\$-	\$2,370,868
Other capital assets, at cost	113,303,893	5,973,670	5,493,445	(157,783)	124,613,225
<b>Total cost of capital assets</b>	<b>120,584,214</b>	<b>6,557,662</b>	<b>-</b>	<b>(157,783)</b>	<b>126,984,093</b>
Accumulated depreciation	(71,314,151)	(3,866,143)	-	157,783	(75,022,511)
<b>Capital assets, net</b>	<b>\$49,270,063</b>	<b>\$2,691,519</b>	<b>-</b>	<b>\$-</b>	<b>\$51,961,582</b>

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3. CAPITAL ASSETS continued**

Following are the changes in capital assets for the component unit for year ended June 30, 2016:

	Balance June 30, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
Capital assets not being depreciated:					
Land	\$8,120	\$-	\$-	\$-	\$8,120
Collections	-	-	-	-	-
<b>Total capital assets not being depreciated</b>	<b>\$8,120</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$8,120</b>
Other Capital Assets:					
Leasehold improvements	\$-	\$-	\$-	\$-	\$-
Buildings	-	-	-	-	-
Software	1,448	-	-	-	1,448
Equipment	84,908	-	-	(75,000)	9,908
<b>Total other capital assets</b>	<b>\$86,356</b>	<b>\$-</b>	<b>\$-</b>	<b>\$(75,000)</b>	<b>\$11,356</b>
Less Accumulated Depreciation for:					
Leasehold improvements	\$-	\$-	\$-	\$-	\$-
Buildings	-	-	-	-	-
Software	1,448	-	-	-	1,448
Equipment	82,248	1,888	-	(75,000)	9,136
<b>Total accumulated depreciation</b>	<b>\$83,696</b>	<b>\$1,888</b>	<b>\$-</b>	<b>\$75,000</b>	<b>\$10,584</b>
<b>Other capital assets, net</b>	<b>\$10,780</b>	<b>\$1,888</b>	<b>\$-</b>	<b>\$-</b>	<b>\$8,892</b>
Capital Assets Summary:					
Capital assets not being depreciated	\$8,120	\$-	\$-	\$-	\$8,120
Other capital assets, at cost	86,356	-	-	(75,000)	11,356
<b>Total cost of capital assets</b>	<b>94,476</b>	<b>-</b>	<b>-</b>	<b>(75,000)</b>	<b>19,476</b>
Accumulated depreciation	(83,696)	(1,888)	-	75,000	(10,584)
<b>Capital assets, net</b>	<b>\$10,780</b>	<b>\$(1,888)</b>	<b>\$-</b>	<b>\$-</b>	<b>\$8,892</b>

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2016, is as follows:

	Beginning Balance	Additions	Retirements	Adjmts	Ending Balance	Amount due in one year
Bond Payable	\$20,385,000	\$0	(\$1,375,000)	\$0	\$19,010,000	\$1,410,000
Bond Premium	807,449	0	(35,106)	0	772,343	35,107
Compensated Absences	618,847	535,646	(469,398)	0	685,095	116,466
<b>Total</b>	<b>\$21,811,296</b>	<b>\$535,646</b>	<b>(\$1,879,504)</b>	<b>\$0</b>	<b>\$20,467,438</b>	<b>\$1,561,573</b>

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, 2016</u>
System Revenue Bonds , Series 2012, Due June 1, 2038	2.00% - 5.5%	11,240,000
Bond premium		287,681
System Refunding and Improvement Revenue Bonds, Series 2013, Due June 1, 2038	2.10% - 5.1%	5,545,000
Bond premium		484,662
System Improvement Revenue Bonds, Series 2014, Due June 1, 2021	1.970%	2,225,000
Bond premium		
		<b>\$19,782,343</b>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,005,000	523,511	1,528,511
2022 - 2026	3,080,000	2,214,014	5,294,014
2027 - 2031	3,660,000	1,636,576	5,296,576
2032 - 2036	4,370,000	916,938	5,286,938
2037 - 2038	1,995,000	118,249	2,113,249
<b>Totals</b>	<b>\$19,010,000</b>	<b>\$7,849,577</b>	<b>\$26,859,577</b>



**WESTERN NEW MEXICO UNIVERSITY**  
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**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, 2016, was \$692,465 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, 2016, was \$96,523 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](http://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 2016 and thereafter.

**Employer Contributions** . In fiscal year 2016, 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, 2016, 2015, and 2014, were \$2,274,359, \$2,243,923, \$2,204,448, 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, 2016, 2015, and 2014 were \$18,643, \$13,512, \$16,275, 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, 2016, 2015, and 2014 were \$33,809, \$35,866, \$32,521, respectively.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6. EMPLOYEE BENEFITS continued**

*Other Post-Employment Benefit Plans*

*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](http://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, 2016, 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, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee

**WESTERN NEW MEXICO UNIVERSITY**  
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**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, 2016, 2015 and 2014 were \$366,254, \$357,850, and \$370,693, 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, 2016, 2015, and 2014 were \$2,682, \$1,944, \$2,477, respectively.

*Incentive Retirement Policy.* As of June 30, 2016, 13 faculty members had entered into the incentive retirement plan. At June, 30, 2016, the incentive retirement payable is \$358,482 of which \$123,291 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**  
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**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, 2016, 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, 2016, 2015, and 2014, were \$44,667, \$45,209, \$50,412 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 2016 was \$64,620.

*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 2016, 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 2016 was \$97,978.

**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, 2016 was \$358,104.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7.COMMITMENTS AND CONTINGENCIES continued**

Future minimum rental payments required under operating leases is as follows for the years subsequent to June 30, 2016:

2017	\$297,854
2018	112,773
2019	43,907
2020	7,977
	<b>\$462,511</b>

Construction obligations of \$614,088 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, 2016:

Accounts payables	\$1,921,374
Accrued payroll	297,413
Accrued payroll taxes, insurance, and retirement benefits	624,032
Other accrued liabilities	254,422
	<b>\$3,097,241</b>

**NOTE 9. RESTRICTED NET POSITION – ENABLING LEGISLATION**

No portion of the University's June 30, 2016 net position is restricted due to enabling legislation for House Bills for Capital Projects.

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10. SPECIAL CAPITAL OUTLAY APPROPRIATION**

The University has the following capital outlay appropriations as of June 30, 2016:

<u>Description</u>	<u>Appropriation Period</u>	<u>Appropriated Amount</u>	<u>Expended Total TD</u>	<u>Encumbered Balance</u>	<u>Remaining Amount</u>
Harlan Hall Renov (Sev Tax)	2015	\$891,000	\$132,072	\$385,342	\$373,586
Light Hall/Land/Infrast. (Sev Tax)	2015	2,500,000	2,500,000	-	-
Fleming Hall (Sev Tax)	2013	169,500	157,696	-	11,804
IT(Sev Tax)	2014	100,000	100,000	-	-
Infrastructure (GO Bond)	2012	4,000,000	4,000,000	-	-
Infrastructure (GO Bond)	2015	6,000,000	3,040,597	188,665	2,770,738
<b>Grand Total</b>		<b>\$13,660,500</b>	<b>\$9,930,365</b>	<b>\$574,007</b>	<b>\$3,156,128</b>

**Harlan Hall Renovation**

Harlan Hall was appropriated severance tax funds to plan, design, renovate and construct improvements and infrastructure; which is where the sciences are housed. The remaining balance has been earmarked for an external chemical building to be constructed to improve safety and provide a centralized location for the hazardous materials to be stored. The plans include fire suppression, HVAC, and appropriate ventilation.

**Fleming Hall**

Fleming Hall was appropriated severance tax funds to plan, design, construct, renovate, equip, demolish and landscape our campus museum. The remaining balance will be used toward storage costs while construction is under way.

WNMU was also appropriated general obligation bonds for various projects, to include Fleming Hall. The funds for Fleming Hall are to plan, design, construct, renovate, including utility infrastructure. The remaining balance will be used toward construction costs and architectural fees.

**General Fund Appropriation**

WNMU was appropriated \$328,328 through the New Mexico Higher Education Department toward the cost of a surveillance system and a key lock building access system. The funds were appropriated to NMHED and originated from House Bill 2 (Section 5, Paragraph 63). An award letter was received in October 2015, and the expenses for the project all occurred by June 30, 2016.

**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

**WESTERN NEW MEXICO UNIVERSITY**  
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**NOTE 11. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN continued**

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](http://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:

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

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

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 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 fiscal year ended June 30, 2016 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 \$2,274,359 for the year ended June 30, 2016.

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, 2016 employers contributed 3% of ARP employees' gross annual salary to the Plan. ARP contributions to the Plan from Western New Mexico University were \$44,667 for the year ended June 30, 2016.

*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, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. At June 30, 2016, the University reported a liability of \$38,205,508 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, 2015. The contribution amounts were defined by Section 22-11-21, NMSA



**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

1978. At June 30, 2015, the University proportion was .58984% percent, which was an decrease of .04055% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the University recognized pension expense of \$3,825,847. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience		\$(708,295)
Changes of assumptions	\$1,314,091	
Net difference between projected and actual earnings on pension plan investments		\$(171,973)
Changes in proportion and differences between the University contributions and proportionate share of contributions		\$(1,919,007)
Changes in Proportion	\$1,503,948	
<b>Total</b>	<b>\$2,818,039</b>	<b>\$(2,799,275)</b>

Deferred outflows of resources related to pensions resulting from the University contributions subsequent to the measurement date of June 30, 2015, in the amount of \$2,398,771, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:

2017	\$54,039
2018	(21,068)
2019	(544,845)
2020	530,638
2021	-
<b>Total</b>	<b>\$18,764</b>

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

*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, 2015.

The liabilities reflect the impact of Senate Bill 115, signed into law on March 29, 2013, and new assumptions adopted by the board of Trustees on June 12, 2015. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and 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 the Board on June 12, 2015, in conjunction with the six-year experience study period ending June 30, 2014, and
5. For 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)

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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 2015 and 2016 for 30- year return assumptions are summarized in the following table:

<b>Asset Class</b>	<b>2016 Long-Term Expected Real Rate of Return</b>	<b>2015 Long-Term Expected Real Rate of Return</b>
Cash	3.00%	3.25%
Treasuries	3.25%	3.50%
IG Corp Credit	5.00%	4.75%
MBS	3.50%	3.75%
Core Bonds	3.89%	3.98%
TIPS	4.00%	4.00%
High Yield Bonds	5.75%	5.75%
Bank Loans	6.00%	6.00%
Global Bonds (Unhedged)	2.75%	2.25%
Global Bonds (Hedged)	2.87%	2.41%
EMD External	6.00%	6.00%
EMD Local Currency	6.50%	6.75%
Large Cap Equities	7.50%	7.50%
Small/Mid Cap	7.75%	7.75%
International Equities (Unhedged)	8.00%	8.00%
International Equities (Hedged)	8.39%	8.47%
Emerging International Equities	9.50%	9.25%
Private Equity	9.50%	9.50%
Private Debt	8.00%	8.00%
Private Real Assets	7.75%	7.75%
Real Estate	6.50%	6.50%
Commodities	5.50%	5.75%
Hedge Funds	6.50%	6.75%

*Discount rate:* A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2015. 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

**WESTERN NEW MEXICO UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
University's proportionate share of the net pension liability	\$51,408,063	\$38,205,508	\$27,113,987

**WESTERN NEW MEXICO UNIVERSITY**  
UNRESTRICTED AND RESTRICTED - ALL OPERATIONS  
AND BEGINNING AND ENDING BALANCES  
BUDGET COMPARISONS  
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ 9,103,679	\$ 14,563,111	\$ 14,563,111	\$ -
<b>Revenues</b>			-	
State general fund appropriations	20,681,000	20,557,100	20,557,135	35
Federal revenue sources	6,838,485	7,566,448	6,261,550	(1,304,898)
Tuition and fees	12,965,331	14,931,820	18,079,108	3,147,288
Land and permanent fund	180,000	176,711	237,631	60,920
Endowments and private gifts	-	-	-	-
Other	10,722,448	19,425,903	12,677,977	(6,747,926)
<i>Total Unrestricted &amp; Restricted Revenues</i>	51,387,264	62,657,982	57,813,401	(4,844,581)
<b>Expenditures</b>				
Instruction	16,983,659	16,083,880	14,788,976	1,294,904
Academic support	1,897,682	2,026,230	1,803,512	222,718
Student services	1,945,689	2,159,715	2,013,439	146,276
Institutional support	7,131,255	8,737,474	7,555,256	1,182,218
Oper. & maint. of plant	3,163,138	3,254,270	2,687,016	567,254
Research	526,209	1,207,287	386,979	820,308
Public service	1,569,275	3,370,304	3,009,832	360,472
Auxiliary enterprises	1,431,794	2,418,537	1,914,044	504,493
Intercollegiate athletics	2,505,524	2,566,821	2,499,919	66,902
Capital outlay	254,661	10,994,710	7,107,173	3,887,537
Renewal and replacements	776,006	1,014,706	899,991	114,715
Retirement of indebtedness	2,144,716	2,123,135	2,071,303	51,832
Other	10,098,338	10,607,859	9,236,275	1,371,584
<i>Total Unrestricted &amp; Restricted Expenditures</i>	50,427,946	66,564,928	55,973,715	10,591,213
Net Transfers	-	-	(9,801)	9,801
Change in net position-budgetary basis	959,318	(3,906,946)	1,829,885	5,736,831
<i>Ending Fund Balance</i>	\$ 10,062,997	\$ 10,656,165	\$ 16,392,995	\$ 5,736,830

**WESTERN NEW MEXICO UNIVERSITY**  
 COMBINED REVENUES, EXPENDITURES,  
 AND BEGINNING AND ENDING BALANCES BUDGET COMPARISONS (CONTINUED)  
 YEAR ENDED JUNE 30, 2016

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

Budget basis expenditures	55,973,715
Capital expenditures	(6,399,879)
Depreciation	3,708,360
Net pension expense	3,005,953
Incentive retirement salaries	(32,220)
Scholarship allowance	(6,683,402)
Bond payments	(1,410,106)
Other	323,456
<b>GAAP basis expenses</b>	<b>48,485,877</b>
<hr/>	
Budget basis revenues	57,813,401
Scholarship allowance	(6,683,402)
Endowment Funds	91,912
Other	40,864
<b>GAAP basis revenues</b>	<b>51,262,775</b>

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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ 8,160,366	\$ 10,660,723	\$ 10,660,723	\$ -
<b>Revenues</b>				
Tuition	-	-	-	-
Miscellaneous fees	1,644,307	1,933,582	4,605,362	2,671,780
Government appropriation - federal	-	-	-	-
Government appropriations-state	2,109,600	2,096,900	2,096,900	-
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	2,747,654	3,490,904	3,505,010	14,106
Other sources	2,964,394	10,744,527	4,472,478	(6,272,049)
<b>Total revenues</b>	<b>9,465,955</b>	<b>18,265,913</b>	<b>14,679,750</b>	<b>(3,586,163)</b>
<b>Expenditures</b>				
Instruction and general	-	-	-	-
Student social and cultural	923,693	1,381,127	1,077,142	303,985
Research	26,403	36,493	29,389	7,104
Public service	916,480	1,072,963	1,000,603	72,360
Internal service departments	285,990	326,023	273,155	52,868
Student aid	713,831	650,226	646,897	3,329
Auxiliary enterprises	1,420,658	2,408,437	1,905,232	503,205
Intercollegiate athletics	2,505,219	2,566,821	2,499,919	66,902
Independent operations	-	-	-	-
Capital outlay	254,661	10,994,710	7,107,173	3,887,537
Renewal and replacements	776,006	1,014,706	899,991	114,715
Retirement of indebtedness	2,144,716	2,123,135	2,071,303	51,832
<b>Total expenditures</b>	<b>9,967,657</b>	<b>22,574,641</b>	<b>17,510,804</b>	<b>5,063,837</b>
Net Transfers	1,457,837	1,756,860	2,095,870	(339,010)
Change in net position-budgetary basis	956,135	(2,551,868)	(735,184)	1,816,684
<b>Ending Fund Balance</b>	<b>\$ 9,116,501</b>	<b>\$ 8,108,855</b>	<b>\$ 9,925,539</b>	<b>\$ 1,816,684</b>

**WESTERN NEW MEXICO UNIVERSITY**  
**RESTRICTED -NON INSTRUCTION & GENERAL**  
**REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES**  
**BUDGET COMPARISONS**  
**YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
<b>Revenues</b>				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriations-state	-	-	-	-
Government appropriations-local	-	-	-	-
Government grants/contracts - federal	6,647,590	7,386,648	5,804,646	(1,582,002)
Government grants/contracts - state	1,735,183	3,077,689	2,683,553	(394,136)
Government grants/contracts -local	772,013	1,036,381	141,603	(894,778)
Private grants/contracts	184,080	228,000	984,911	756,911
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	-	-	-	-
Other sources	-	-	-	-
<b>Total Restricted Revenues</b>	<b>9,338,866</b>	<b>11,728,718</b>	<b>9,614,713</b>	<b>(2,114,005)</b>
<b>Expenditures</b>				
Instruction and general	-	-	-	-
Student social and cultural	11,077	23,077	17,771	5,306
Research	499,806	1,170,794	357,590	813,204
Public service	652,795	2,297,341	2,009,229	288,112
Internal service departments	2,125	-	-	-
Student aid	8,161,622	8,227,406	7,221,310	1,006,096
Auxiliary enterprises	11,136	10,100	8,813	1,287
Intercollegiate athletics	305	-	-	-
Independent operations	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
<b>Total Restricted Expenditures</b>	<b>9,338,866</b>	<b>11,728,718</b>	<b>9,614,713</b>	<b>2,114,005</b>
Net Transfers	-	-	-	-
Change in net position-budgetary basis	-	-	-	-
<b>Ending Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



**WESTERN NEW MEXICO UNIVERSITY**  
**UNRESTRICTED - INSTRUCTION & GENERAL**  
**REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES**  
**BUDGET COMPARISONS**  
**YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ 943,313	\$ 3,902,388	\$ 3,902,388	\$ -
<b>Revenues</b>				
Tuition	10,090,118	11,078,486	11,410,430	331,944
Miscellaneous fees	1,230,906	1,919,752	2,063,317	143,565
Government appropriation - federal	-	-	-	-
Government appropriations-state	18,571,400	18,460,200	18,460,235	35
Government appropriations-local	-	-	-	-
Government grants/contracts - federal	10,000	10,000	27,451	17,451
Government grants/contracts - state	-	-	-	-
Government grants/contracts -local	-	-	-	-
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	180,000	176,711	237,631	60,920
Private gifts	-	-	-	-
Sales & service	40,972	63,770	84,507	20,737
Other sources	225,479	310,236	655,562	345,326
<i>Total Unrestricted Revenues</i>	<u>30,348,875</u>	<u>32,019,155</u>	<u>32,939,133</u>	<u>919,978</u>
<b>Expenditures</b>				
Instruction	14,939,662	15,635,224	14,404,094	1,231,130
Academic support	1,845,216	1,974,264	1,757,250	217,014
Student services	1,894,106	2,112,073	1,969,438	142,635
Institutional support	7,050,427	8,646,594	7,458,115	1,188,479
Oper. & maint. of plant	3,158,444	3,249,218	2,679,497	569,721
<i>Total Unrestricted Expenditures</i>	<u>28,887,855</u>	<u>31,617,373</u>	<u>28,268,394</u>	<u>3,348,979</u>
Net Transfers	(1,457,837)	(1,756,860)	(2,105,671)	348,811
Change in net assets-budgetary basis	3,183	(1,355,078)	2,565,068	3,920,146
<i>Ending Fund Balance</i>	<u>\$ 946,496</u>	<u>\$ 2,547,310</u>	<u>\$ 6,467,456</u>	<u>\$ 3,920,146</u>

**WESTERN NEW MEXICO UNIVERSITY**  
**RESTRICTED - INSTRUCTION & GENERAL**  
**REVENUES, EXPENDITURES, AND BEGINNING AND ENDING BALANCES**  
**BUDGET COMPARISONS**  
**YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -
<b>Restricted Revenues</b>				
Tuition	-	-	-	-
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriation - state	-	-	-	-
Government appropriation - local	-	-	-	-
Government grants/contracts - federal	180,895	169,800	429,453	259,653
Government grants/contracts - state	2,015,243	465,766	147,548	(318,218)
Government grants/contracts -local	37,430	8,630	2,805	(5,825)
Private grants/contracts	-	-	-	-
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	-	-	-	-
Other sources	-	-	-	-
<i>Total Restricted Revenues</i>	2,233,568	644,196	579,806	(64,390)
<b>Restricted Expenditures</b>				
Instruction	2,043,997	448,656	384,882	63,774
Academic support	52,466	51,966	46,262	5,704
Student services	51,583	47,642	44,001	3,641
Institutional support	80,828	90,880	97,141	(6,261)
Oper. & maint. of plant	4,694	5,052	7,520	2,468
<i>Total Restricted Expenditures</i>	2,233,568	644,196	579,806	64,390
Net Transfers	-	-	-	-
Change in net assets-budgetary basis	-	-	-	-
<i>Ending Fund Balance</i>	\$ -	\$ -	\$ -	\$ -

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS**  
**YEAR ENDED JUNE 30, 2016**

Name of Bank	Account Type	Balance per bank statement	Balance per books
<hr/>			
Wells Fargo, Silver City, NM			
Federal funds	Checking	\$ 11	\$ 11
Bond Debt Service	Checking	1,011,614	1,011,614
Operating	Checking	6,403,931	6,099,900
Wells Fargo Brokerage Services, LLC			
Money market (U.S. Govt. Agency)	Money Market	206,664	206,664
Bank of The Southwest, T or C, NM			
Operating	Checking	1,000	1,000
1st National Bank, Centennial, CO			
Federal	Checking	79,466	79,466
Bank of New York (NMFA)	Reserve	768,240	768,240
Bank of Albuquerque (NMFA)	Reserve	4	4
Petty Cash	Cash on Hand	5,530	5,530
Watts Foundation			
Wells Fargo, Silver City, NM			
Operating	Checking	1,350	1,350
<b>PRIMARY INSTITUTION CASH</b>		<b>\$ 8,477,810</b>	<b>\$ 8,173,779</b>
<hr/>			
First American Bank, Silver City, NM			
Operating	Checking	\$ 338,055	\$ 335,609
Money market	Money market	8,644	8,644
Wells Fargo Bank, Silver City, NM			
Operating	Checking	258,292	255,792
Wells Fargo #75051999	Money market	173,884	173,884
Various investment accounts			
Charles Schwab #1453-1100	Checking	2,009	2,009
Charles Schwab #7807-1329	Checking	5,295	5,295
<b>COMPONENT UNIT CASH</b>		<b>\$ 786,179</b>	<b>\$ 781,234</b>
<hr/>			

## WESTERN NEW MEXICO UNIVERSITY

### SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

Name of Bank/Broker	Investment Type	Market Value
<b>Primary Institution</b>		
Wells Fargo, Silver City, NM Held in Wells Fargo vault	Stock	\$ 1,163,101
Wells Fargo Brokerage Services, LLC Brokered Certificates of Deposit (32 banks)	CDs	10,321,009
New Mexico Finance Authority Government Revenue Bonds (9)	Bond	882,389
Federal Home Loan Bank	Bond	
State Investment Council Land Grant Permanent Fund	See Note Below	3,650,091
<b>Watts Foundation</b>		
Bank of America, Silver City, NM Certificate of Deposit	CD	114,238
<b><i>Primary Institution Investments</i></b>		<b>16,130,828</b>
<b>Component Unit</b>		
Wells Fargo #75051999	Fixed income mutual fund	\$ 1,496,301
	Stock	4,231,123
	Real estate investment trust	791,973
	US Treasury bond	22,556
	Hedge funds	
Charles Schwab #7807-1329	Stock	404,707
Charles Schwab #1453-1100	Limited partnership funds	157,171
	Stock	8,755
Held at WNMU Foundation	BP Amoco stock	8,878
<b><i>Component Unit Investments</i></b>		<b>\$ 7,121,464</b>

Note: The University has an undivided interest in the State of New Mexico Land Grant Permanent Fund. For further detail for the types of investments held in the Land Grant Permanent Fund, please refer to the separately issued June 30, 2016 financial statements of the State Investment Council.

**WESTERN NEW MEXICO UNIVERSITY**  
SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)  
YEAR ENDED JUNE 30, 2016

	Bank Balance					Total
	Bank of America (Watts) Silver City, NM	Bank of the Southwest T or C, NM	1st National Bank Centennial CO	Wells Fargo Silver City New Mexico	Wells Fargo Brokerage Services, LLC	
<b>FUNDS ON DEPOSIT</b>						
Demand deposits	\$1,350	\$1,000	\$79,466	\$7,415,556	\$206,663	\$7,704,035 *
Certificates of Deposit	-	-	-	-	-	-
LESS Money Market (U.S. Govt. Agency)	-	-	-	-	(206,663)	(206,663)
<b>FDIC INSURANCE</b>						
Demand deposits, time deposits	(1,350)	(1,000)	(79,466)	(250,000)	0	(331,816)
<b>TOTAL UNINSURED PUBLIC FUNDS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,165,556</b>	<b>\$0</b>	<b>\$7,165,556</b>
* Does not include Cash Held By Others (New Mexico Finance Authority) with no collateral requirements Debt Service Funds (restricted)					Bank of NY	
					\$	768,244
AMOUNT SUBJECT TO 102% COLLATERAL				\$0		
AMOUNT SUBJECT TO 50% COLLATERAL				\$7,165,556		
Fifty percent collateral requirement per Section 6-10-17 NMSA for above				\$3,582,777		
One hundred two percent collateral requirements per Section 6-10-10 (H) NMSA				\$0		
<b>AMOUNT OF COLLATERAL REQUIRED</b>				<b>\$3,582,777</b>		
<b>PLEGGED COLLATERAL</b>						
Safe- keeping Location	Type of Security					
Wells Fargo	FNMA	CUSIP #3138EC6B4	-	-	4,880,562	-
Wells Fargo	FNMA	CUSIP #3138ETFL5	-	-	67,604	-
Wells Fargo	FNMA	CUSIP #31403DJW0	-	-	179,164	-
<b>Total Pledged Collateral</b>			<b>-</b>	<b>-</b>	<b>5,127,330</b>	<b>-</b>
<b>Deficit/(excess) of pledged collateral over the required amount</b>			<b>\$0</b>	<b>\$0</b>	<b>(\$1,544,553)</b>	<b>\$0</b>
						<b>(\$1,544,553)</b>

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)  
For the Year Ended June 30, 2016

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of ALL Vendor(s) that responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N)	Brief Description of the Scope of Work
#07-14/15	Request for proposal	ASA Architects	401,730.13		ASA Architects PO Box 145 Las Cruces, NM 88004	Y	N	Architectual Service - Harlan Hall
					MNK Architects 330 Euban Court El Paso, TX 79902	N	N	
					Conron & Woods Architects 1222 Luisa St Ste A Santa Fe, NM 87505	Y	N	
					Vigil & Associates PO Drawer Z Mesilla, NM 88046	Y	N	
					The Hartman Majewski Design Group 120 Vassar Dr SE Ste 100 Albuquerque, NM 87106	Y	N	
#08-14/15	Request for proposal	Conron & Woods Architects	396,000.00	54,337.59	Conron & Woods Architects 1222 Luisa St Ste A Santa Fe, NM 87505	Y	N	Architectual Service - Fleming Hall
					ASA Architects PO Box 145 Las Cruces, NM 88004	Y	N	
					Lee Gamelsky Architects PC 2412 Miles Rd SE Albuquerque, NM 87106	Y	N	
					The Hartman Majewski Design Group 120 Vassar Dr SE Ste 100 Albuquerque, NM 87106	Y	N	
					Vigil & Associates PO Drawer Z Mesilla, NM 88046	Y	N	

**Western New Mexico University**  
 Schedule of Vendor Information for purchases Exceeding \$60,000 (excluding GRT) continued  
 For the Year Ended June 30, 2016

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of ALL Vendor(s) that responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N)	Brief Description of the Scope of Work
N/A	Sole Source	Grant County Title Company	162,109.05		Grant County Title Co PO Box 534 Silver City, NM 88062	N/A	N/A	Land Purchase - 901 W 12th St Silver City, NM
N/A	Sole Source	Grant County Title Company	172,660.15		Grant County Title Co PO Box 534 Silver City, NM 88062	N/A	N/A	Land Purchase - 1201 Mississippi St Silver City, NM
BID #01-15/16	Request for Bid	Advanced Technologies	103,224.92		Advanced Technologies 110 W Main St PO Box 905 Northville, MI 48167	N	N	Applied Technology - Training System
#03-15/16	Request for proposal	MP Group, Inc	\$64,630		MP Group, Inc 8500 Menaul NE Ste A220 Albuquerque, NM 87112	N	N	Financial Audit Services
					RPC CPAs PO Box 898 Alamogordo NM 88331	N	N	
					Axiom Sun Valley Commercial Center 316 Osuna Rd NE Ste 401 Albuquerque NM 87107	N	N	
					Hinkle & Landers 2500 9th St NW Albuquerque NM 87107	N	N	
					Kriegel, Gray, Shaw & Co 2452 Missouri Ave Las Cruces NM 88004	N	N	
					Burt & Company 4101 Indian School Rd NE Ste 400 Albuquerque NM 87110	N	N	
					Harshwal & Company LLP 6739 Academy Rd NE Ste 130 Albuquerque NM 87109	N	N	

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

	2016	2015
The University's proportion of the net pension liability (asset)	0.59%	63.00%
Proportionate share of the net pension liability (asset)	38,205,508	35,968,347
Covered-employee payroll	16,104,522	18,672,020
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	237.23%	192.63%
Plan fiduciary net position as a percentage of the total pension liability	50.82%	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
<b><u>2016</u></b>					
State Employee	\$ 2,274,358	\$ 2,274,358	\$ -	\$ 16,362,285	13.9%
ARP	\$ 44,666	\$ 44,666	\$ -	\$ 1,488,892	3.0%
<b><u>2015</u></b>					
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**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2016**

**NOTE 1. CHANGES OF BENEFIT TERMS**

The COLA and retirement eligibility benefits changes in recent years are described in the *Benefits Provided* subsection of the financial statement note disclosure NOTE 11.  
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN

**NOTE 2. CHANGES OF ASSUMPTIONS**

The Board of Trustees approved the following economic and demographic assumptions used in the fiscal year 2015 actuarial calculation of the total pension liability on June 12, 2015:

1. Lower wage inflation from 4.25% to 3.75%
2. Update the mortality tables to incorporate generational improvements
3. Update demographic assumptions to use currently published tables, which may result in minor calculation changes
4. Maintain in current 3.00% inflation assumption
5. Retain net 4.75% real return assumption
6. Retain 7.75% nominal return assumption
7. No change to COLA assumption of 2.00% per year
8. Maintain current payroll growth assumption of 3.50%
9. Maintain experience-based rates for members who joined NMERB by June 30, 2010
10. Remove population growth assumption for projections
11. Lower population growth from 0.50% to zero (no impact on valuation results)

See also the *Actuarial Assumptions* subsection of the financial statement note disclosure NOTE 11. EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Education</u></b>			
<b>Direct Student Financial Aid</b>			
Pell Grant Program - Pell	84.063		\$5,234,976
College Work-Study Program - FWS	84.033		200,000
Supplemental Educational Opportunity Grants - SEOG	84.007		94,685
Student Direct Loans	84.268		16,634,917
TEACH Grant	84.379		12,118
<i>Total Direct Student Financial Aid</i>			22,176,696
<b>Pass-Through NM Department of Education</b>			
Adult Basic Education-Basic Grants to States - ABE#2	84.002	V002A150032	71,048
Career and Technical Education-Basic Grants to States - Carl Perkins	84.048	850-000-0910-24177	180,976
<i>Total Indirect U.S. Department of Education</i>			252,024
<b>Total U.S. Department of Education</b>			<b>\$22,428,720</b>
<b><u>Research and Development</u></b>			
<b>National Science Foundation</b>			
<b>Direct National Science Foundation</b>			
Computer and Information Science and Engineering - CyberInfrastructure	47.070		\$76,125
Biological Sciences - NSF-NM Spider Wasps	47.074		\$23,979
Biological Sciences - NSF - Endophyte	47.074		\$68,477
Education and Human Resources - NSF NOYCE Capacity Building	47.076		\$32,917
Biological Sciences - NSF-NM Digital Forensics	47.076		10,730
<i>Total Direct National Science Foundation</i>			\$212,228
<b>Pass-Through (NSF)</b>			
Office of CyberInfrastructure - NM EPSCoR	47.070	06307-874Q	\$47,635
<i>Total Indirect National Science Foundation</i>			\$47,635
<b>Total National Science Foundation</b>			<b>\$259,863</b>
<b>Total Research and Development</b>			<b>\$259,863</b>
<b>Department of Health and Human Services</b>			
<b>Pass-Through NM Department of Children, Youth and Families</b>			
Foster Care Title IV-E - Title IV-E Social Work	93.658	15-690-17362-1	\$109,139
Job Opportunities for Low-Income Individuals - Assistance Program	93.596	14-690-00-15996-1	680,698
Biomedical Research and Research Training	93.859	5P20GM103451-14	53,974
Assistive Technology	93.464	16-645-900-002	74,828
<b>Total Health and Human Services</b>			<b>\$918,639</b>
<b>US Department of the Interior</b>			
Native American Graves Protection and Repatriation Act	15.922	NPS NAGPRA	\$39,317
<b>Total Direct USDI</b>			<b>\$39,317</b>
<b>Other</b>			
Small Business Development Centers - Small Business Development	59.037	9-603001-Z-0032-21	<b>\$20,689</b>
<b>Total Federal Assistance</b>			<b>\$23,667,228</b>

**WESTERN NEW MEXICO UNIVERSITY**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2016

**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 2016 or accrued revenue at June 30, 2016. This schedule has been prepared on the accrual basis of accounting. Revenues are recorded for financial reporting purposes when the University has met the qualifications for the respective program.

**NOTE 2. STUDENT FINANCIAL ASSISTANCE**

The University administers the Perkins Loan Program. Total outstanding loans under this US Department of Education program at June 30, 2016, were \$737,515. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2016, were \$18,186. 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, 2016.

During the fiscal year ended June 30, 2016, the University processed \$16,634,917 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 \$432,056.

**NOTE 3. INDIRECT COST RATE**

The amount expended includes \$195,011 claimed as an indirect cost recovery using an approved indirect cost rate of percent. The University has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4. CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time, although the University expects such amounts, if any, to be immaterial.



**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 of the University as of and for the year ended June 30, 2016. 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, 2016, 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 11, 2016.

**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.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies as items 2016-001 and 2016-003.

### ***Compliance and Other Matters***

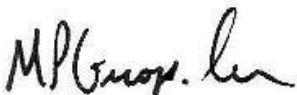
As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 2015-003.

### ***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 11, 2016



**Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over  
Compliance Required by Uniform Guidance**

---

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 Compliance Supplement* that could have direct and material effect on each of the University's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

***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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

The 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



November 11, 2016



**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION I . SUMMARY OF AUDITOR'S RESULTS

**FINANCIAL STATEMENTS**

Type of Auditor's Report issued:

**Unmodified**

**Internal Control Over Financial Reporting:**

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**FEDERAL AWARDS**

**Internal Control Over Major Programs:**

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   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 2 CFR 200.516? \_\_\_\_\_ Yes   X   No

**Identification of Major Programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.033, 84.063, 84.007, 84.379, 84.268	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**SECTION II . FINANCIAL FINDINGS**

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**CURRENT STATUS ON PRIOR YEAR FINDINGS:**

<b>2015-001 Unallowable Costs - Compliance</b>	<b>Resolved</b>
<b>2015-002 Best Obtainable Price</b>	<b>Resolved</b>
<b>2015-003 Annual Inspection of Fixed Assets</b>	<b>Repeated</b>
<b>2015-004 Procurement</b>	<b>Resolved</b>
<b>2015-005 Budget Overspending</b>	<b>Resolved</b>
<b>2015-006 Budget Adjustment</b>	<b>Resolved</b>
<b>2015-007 Late Audit</b>	<b>Resolved</b>
<b>2014-002 Stale Dated Checks</b>	<b>Resolved</b>

**CURRENT YEAR FINDINGS:**

NONE

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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SECTION II . FEDERAL FINDINGS

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**CURRENT YEAR FINDINGS:**

NONE

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**SECTION IV . OTHER FINDINGS**

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**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 as they did not have a dedicated accountant available until late in the fiscal year 2016. 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 2017.

**WESTERN NEW MEXICO UNIVERSITY**  
SCHEDULE OF FINDINGS AND RESPONSES . COMPONENT UNIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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SECTION II . FINANCIAL FINDINGS

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**CURRENT STATUS ON PRIOR YEAR FINDINGS:**

**Western New Mexico University Foundation**                      **NONE**

**CURRENT YEAR FINDINGS:**

**2016-001 Cash Disbursements Lack of Proper Authorization (Significant Deficiency)**

CONDITION: During our audit testwork of cash disbursements, we noted one (1) transaction totaling \$3,000 out of forty-three (43) selected for testing that did not get Executive Committee approval prior to the disbursement which is a part of the Foundations cash disbursement policies and procedures.

CRITERIA: 6-5-2C NMSA 1978 states that an entity shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

CAUSE: The Foundation did not follow its policy to have Executive Committee approval for all disbursements exceeding \$2,500.

EFFECT: When disbursements are not properly reviewed, the entity is exposed to the possibility of misappropriation of Foundation monies.

RECOMMENDATION: We recommend that management continue to refine the processes required to maintain compliance with its own policies.

RESPONSE: The Fund Request approval form used to authorize all disbursements was modified on October 25, 2016 to include a "Department Use Only" section with a box to check if Executive Committee Approval is needed and a signature to indicate it was received, if applicable. The Treasurer will review that section of the form to ascertain proper approval was obtained on disbursements exceeding \$2,500 whenever he/she signs disbursement authorizations.

**WESTERN NEW MEXICO UNIVERSITY**  
SCHEDULE OF FINDINGS AND RESPONSES . COMPONENT UNIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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SECTION II . FINANCIAL FINDINGS

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**2016-002 Cash Receipts – Segregation of Duties (Significant Deficiency)**

CONDITION: During our process of understanding the Foundation's cash receipts and its control environment, we noted the following lack of internal control framework related to the cash receipt process. Lack of segregation of duties; one individual performs the incompatible duties of opening the mail, receiving money, entering the receipts into the accounting system and preparing the deposit.

CRITERIA: 6-5-2C NMSA 1978 states that an entity shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

CAUSE: Controls over cash receipts were not adequate to prevent these exceptions.

EFFECT: The Foundation was not in compliance with controls over receipts in accordance with aforementioned statute.

RECOMMENDATION: We recommend that the Foundation implement a policy that requires a separate employee that does not have custody of the funds to perform the entry into the accounting system creating segregation of duties in the cash receipts process.

RESPONSE: Effective October 25, 2016, the Foundation has implemented the following form and procedures: 1) a Receipts Log is maintained by the Executive Director who records all incoming receipts, both cash and check, whether received in person or by mail; 2) Receipts of check/cash accompanied by the Log are provided to the Executive Administrative Assistant who enters deposits into the accounting system and a deposit slip created; 3) the Executive Director takes the deposit slip and all checks/cash to the bank, and returns the bank receipt to the Executive Administrative Assistant. 4) the accountant reviews the Receipts Log in comparison to monthly bank statements.

**WESTERN NEW MEXICO UNIVERSITY**  
**SCHEDULE OF FINDINGS AND RESPONSES COMPONENT UNIT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**SECTION II . FINANCIAL FINDINGS**

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**2016-003 Review and Approval of Journal Entries (Significant Deficiency)**

CONDITION: During our review of journal entries, we noted that four (4) journal entries totaling \$355,652 out of five (5) selected were not reviewed or approved.

CRITERIA: 6-5-2C NMSA 1978 states that an entity shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

CAUSE: Breakdown in controls over Journal Entries review and approval process.

EFFECT: We recommend the President of the Foundation to review and approve all journal entries prior to being posted.

RECOMMENDATION: We recommend that The District appoint an individual separate from the accountant to review all journal entries along with documentation that supports the entry and why it is necessary. The individual should sign the entries, indicating that they have been reviewed and are approved. The Foundation should establish a policy to determine the frequency of review of journal entries, for example, the Board could review entries at monthly board meetings.

RESPONSE: Effective July 1, 2016, the following procedures have been followed any time a general journal entry is needed. 1) The Foundation Accountant submits either a General Journal Entry Request or a copy of the actual general journal entry (in the case of the routine monthly standard entries) to the Executive Director for approval. 2) The Accountant enters the approved journal entry if not already done. 3) The forms are given to the Treasurer for signature within 20 days following the end of the month the entry was dated. 4) As part of the month-end checklist, the Accountant runs out all general journal entries shown in the accounting software for the preceding month, confirms the back-up is present in the black quarterly binders.

**WESTERN NEW MEXICO UNIVERSITY**  
EXIT CONFERENCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**EXIT CONFERENCE:**

The exit conference was held November 11, 2016 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  
Dan Salzwedel, Regent, President  
Carl Foster, Regent

**From MP Group, Inc.:**

Scott Peck, CPA  
Michael L. Moore, CPA