



NEW MEXICO  
**HIGHLANDS**  
UNIVERSITY®

STATE OF NEW MEXICO AUDIT REPORT  
JUNE 30, 2008

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## Board of Regents



### Javier M. Gonzales, Chairman

Javier Gonzales has extensive experience as a leader in a broad range of projects in private and public arenas, having been instrumental in organizing numerous successful joint ventures between private interests. Gonzales founded IronStone Consulting in 2003 to help companies work with local governments. Gonzales was an executive with the global management consulting company Accenture, where he led the global company's business development efforts in the U.S. local government market. As a former Santa Fe County commissioner, Gonzales was elected president of the National Association of Counties.



### Nancy R. Long, Vice Chairman

Nancy Long is president and shareholder of Long, Pound & Komer, P.A., a Santa Fe based law firm, founded in 1987. Her practice is primarily in the areas of land use, transactional work, real estate and commercial representation. She has attained an AV rating, the highest attainable for the rating of lawyers in the United States by Martindale Hubbell. Ms. Long has represented large development projects in the City of Santa Fe as well as representing the County of Santa Fe in its real estate and land use cases. She is counsel to the College of Santa Fe and represents the board of the joint Santa Fe City and County water diversion project.



### Jesus L. Lopez

Jesus L. Lopez was born in Las Vegas, New Mexico, where he has resided his entire life. He is a 1972 graduate of New Mexico Highlands University, majoring in Spanish and political science. He received his Juris Doctorate from the University of New Mexico School of Law and has been a Las Vegas attorney for 30 years. Lopez has served as counsel to two presidents of Highlands University, and is a former district attorney. He also served 14 years as chairman of the West Las Vegas Board of Education. Always active in civil and political affairs, Lopez also served as chairman of the San Miguel County Democratic Party for more than a decade.



### Leveo V. Sanchez

Leveo Sanchez is a dynamic leader with decades of domestic and international business success and distinguished public service. He is a New Mexico native and returned to the state in 2006. Over the years, Sanchez has shared his expertise tirelessly as a board member with numerous organizations. From 1966 through 2005, Sanchez established several successful businesses in governmental and management consulting, banking, real estate development and investment, property management, and export trading.



### Sherry Salas

Sherry Salas is completing her master's degree in computer science at New Mexico Highlands University. As an undergraduate earning a double major in computer science and media arts, Salas was active with a range of campus and community programs, including the Highlands University Student Affairs Committee, where she served as chairwoman, and the Highlands University Association for Computing Machinery, where she served as vice president. She also served as a Highlands University student senator and lab manager for the Computer Science Department.

### Principal Administrative Officials

Dr. James Fries President

Dr. Gilbert Rivera Vice President for Academic Affairs

Judy Cordova Vice President for Student Affairs

Dr. William Taylor Vice President for Finance & Administrative Services

Lawrence Trujillo Associate Vice President for Finance & Administrative Services

### Principal Financial Officials

Nesbitt Hagood Controller

Jesus Baquera Assistant Controller

## From the President



Founded in 1893, New Mexico Highlands University is a minority-majority university with more than 75 percent of our enrollment composed of ethnic minorities, predominantly Hispanic. A master's-level university, 40 percent of our students are pursuing master's degrees in the Schools of Education, Social Work, and Business as well as in several areas of strength in the arts and sciences. Highlands is widely regarded as Northern New Mexico's university with centers that stretch from Raton in the northeastern to Farmington in the northwestern corners of the state. However, our students come from across the state, the country, and increasingly the world with some 29 countries currently represented.

As you will see in this report, Highlands is fiscally sound. Perhaps less apparent are the enrollment growth of recent years and the major capital improvements both planned and currently underway.

Construction on a 276-bed, suite-style Leed silver certified residence hall is on schedule with completion anticipated in time for the fall of 2009. Major remodeling projects are underway or being designed for Burriss Hall, the Science Annex, the Lora Shields Science Building, and Felix Martinez. In addition, the campus is converting its heating system to free-standing high efficiency boilers in each building and plans to abandon the highly inefficient and fragile buried steam lines that have served the entire campus for many decades. Architects are currently being selected to design a new Student Center and to work with the University to update the campus master plan.

The first university in the state to achieve wireless status, the University remains committed to ever more effective uses of technology in the delivery of its educational programs and administrative processes. An open admissions university, Highlands has instituted a diagnostic testing program to better evaluate each student's educational readiness for university work, and seeks to become a leader in value-added education. Students with developmental needs in both reading and mathematics complete a contract for success that provides them with a clear indication of available services and our expectations regarding their use of those services. Admission at Highlands is relatively easy, but degree completion is not.

New Mexico Highlands is committed to expanding its historic role as the educational leader and economic catalyst for the several school systems and communities in its primary service area and to building stronger ties with the distinctive Hispanic and Native American traditions of the region. A "we" not "they" campus, we are creating a work and learning environment that fosters integrity, respect, tolerance, fairness, quality, equity, and accountability. Given the forward momentum on all fronts, it is an exciting time to be part of New Mexico Highlands University.





## **INDEPENDENT AUDITORS' REPORT**

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Board of Regents  
New Mexico Highlands University  
Las Vegas, New Mexico

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the State of New Mexico, New Mexico Highlands University (the "University") as of and for the year ended June 30, 2008, 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 of June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the basic financial statements of the University and its discretely presented component unit are intended to present the net assets, changes in net assets and cash flows, where applicable, of only that portion of the State of New Mexico that is attributable to the transactions of the University and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the University as of June 30, 2008, and the respective changes in financial position and cash flows of the University for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly in all material respects, the budgetary comparisons of the University for the year ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.



## **INDEPENDENT AUDITORS' REPORT**

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In accordance with Government Auditing Standards , we have also issued our report dated October 22, 2008, 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 and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 6 through 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the University's basic financial statements and budgetary comparisons presented as supplementary information. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations , and is not a required part of the financial statements. The Schedule of Individual Deposit Accounts and the Schedule of Pledged Securities by Bank Account are presented for purposes of additional analysis and are not a required part of the University's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kardas, Abeyta & Weiner, P.C.*

October 22, 2008



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Introduction

The following discussion and analysis provides an overview of the financial positions and analysis of New Mexico Highlands University. It is intended to make the University financial statements easier to understand and communicate our financial situations in an open and accountable manner. It provides an objective analysis of the "University's" positions and results of operations as of and for the year ended June 30, 2008. University management has prepared the financial statements and the related note disclosures in addition to the discussion and analysis.

University management is responsible for the completeness and fairness of this discussion and analysis and the financial statements.

The University has one supporting foundation, New Mexico Highlands University's Foundation, Inc., a not-for-profit organization. The financial information of the Foundation is presented in the financial statements as a "discretely presented component unit".

### Understanding the Financial Statements

Financial highlights are presented in this discussion and analysis to help your assessment of the University's financial activities. Since this presentation includes highly summarized data, it should be read in conjunction with the financial statements which have the following five other parts.

Report of Independent Auditors presents an unqualified opinion by our auditors (an independent certified public accounting firm (Kardas, Abeyta, & Weiner) on the fairness (in all material respects) of our financial statements.

Statement of Net Assets presents the assets, liabilities, and net assets of the University at a point in time (June 30, 2008). Its purpose is to present a financial snapshot of the University. They aid readers in determining the assets available to continue the University's operations, how much the University owes to vendors, and investors, and a picture of net assets and their availability for expenditures in the University.

Statement of Revenues, Expenses, and Changes in Net Assets presents the total revenues earned and expenses incurred by the University for operating, non-operating, and other related activities during a period of time (the year ended June 30, 2008). Their purpose is to assess the University's operating results.

**{ During the fiscal year ended June 30, 2008, the University's net assets increased by 10.8 percent.**

This statement begins with a presentation of the operating revenues received by the institution. Operating revenues are revenues arising from exchange (earned) transactions. In a public University, such as New Mexico Highlands University, income from state government appropriations, although not earned, are heavily relied upon to pay operating expenses for almost all instruction and general programs. However, government accounting standards define state appropriations income as non-operating revenue, causing the presentations of a large operating loss on the first page of the Statement of Revenues, Expenses and Changes in Net Assets. The operating loss is offset by non-operating revenues in the next section of this statement, non-operating revenues and (expenses).

Statement of Cash Flows present cash receipts and payments of the University during a period of time (year ended June 30, 2008). Its purpose is to assess the University's ability to generate net cash flows and meet its obligation as they come due.

Notes to the Financial Statements present additional information to support the financial statements and are commonly referred to as Note(s). Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found.

We suggest that you combine this financial analysis with relevant nonfinancial indicator to assess the overall health of the University. Examples of nonfinancial indicators include trend and quality of applicants, freshman class size, student retention, number of undergraduates and graduates completing their degrees, and campus safety. Information about nonfinancial indicator is not included in this analysis, but can be obtained from the University's Office of University Relations (Sean Weaver – University Relations Director (slweaver@nmhu.edu)).

## Financial Highlights

Increases in net assets over time are one indicator of financial health. During the fiscal year ended June 30, 2008, the University's net assets increased by 10.8 percent from \$68.7 million to \$76.1 million and cash and cash equivalents increased by 93.7%, from \$22.5 million to \$43.6 million. These increases are primarily attributed to increases in the value of our investments and capital assets, as offset by the increases in accumulated depreciation and in our long-term debt financing of these capital assets (projects). The following sections provide further explanations of these drivers of the University's financial health.

## CONDENSED STATEMENT OF NET ASSETS

Net Assets for the years ended June 30, 2008 and 2007 (Thousands)

	2008	2007
Assets:		
Current assets	\$ 54,239	\$31,375
Endowment investments	\$ 5,256	\$ 5,541
Capital assets, net of accum. depr.	\$ 47,702	\$43,001
<b>Total assets</b>	<b>\$107,197</b>	<b>\$79,917</b>
Liabilities:		
Current Liabilities	\$ 9,908	\$ 8,157
Non-current Liabilities	\$21,097	\$ 2,982
<b>Total Liabilities</b>	<b>\$31,005</b>	<b>\$11,139</b>
Net Assets:		
Invested in capital assets, net of debt	\$45,892	\$39,380
Restricted for nonexpendable	\$ 6,003	\$ 5,787
Restricted for expendable	\$17,695	\$16,433
Unrestricted	\$ 6,602	\$ 7,178
<b>Total net assets</b>	<b>\$76,192</b>	<b>\$68,778</b>

## Discussion of Statement of Net Assets

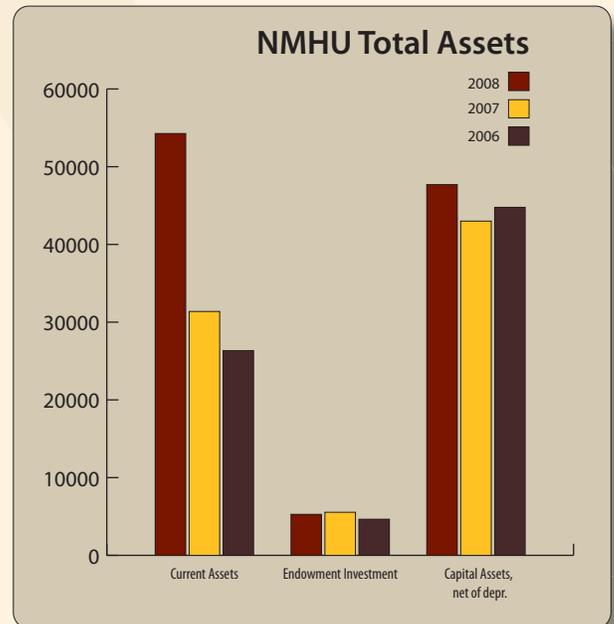
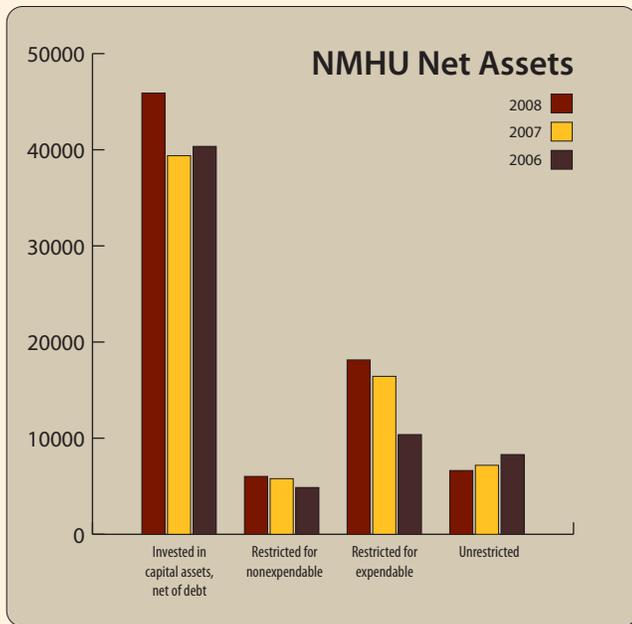
Current assets increased 73 percent during the year. The ending balance of \$54.2 million consists primarily of cash/cash equivalents (\$43.6 million) and receivables (\$7.5 million). Cash/cash equivalents increased 93.7 percent. However, it should be noted that all cash and cash equivalents are essential and completely designated for ongoing operations including capital projects. The University capitalizes on earnings by investing funds in the State of New Mexico Local Government Investment Pool (\$42.1 million) and with the State Investment Council (\$5.2 million). The University has abided by its short term and endowment investment policies thereby ensuring liquidity and safety. The University has implemented procedures to collect receivables in a timely manner and is well able to meet all its current financial obligations.

The total cost of Capital assets is comprised of land, buildings and improvements (\$93.2 million); and library books, equipment, vehicles, and furniture (\$28.4 million). All capital assets, except land and construction-in-progress, are being depreciated, meaning a percentage of the assets' cost is being charged to operating expenses each year. Consequently, capital assets are shown as a net amount of \$47.7 million (\$121.6 million cost less \$73.9 million accumulated depreciation).

Total liabilities of \$31 million constitute 28.9 percent of total assets and consist primarily of payables/accrued liabilities (\$6.2 million), bonds/notes payable (\$21.6 million), and deferred revenue (\$2.8 million). The University increase in noncurrent liabilities is a result of a bond issuance during the fiscal year (\$19,740,852) (Note 1). Deferred revenue represents amounts prepaid by students, auxiliary enterprises customers, grantors and contractors (or amounts received before the University met all of its requirements for income recognition). These amounts will be recognized as revenue in future period after all conditions have been satisfied (Note 13).

Total net assets increased by \$7.4 million, or 10.8 percent, during the year. (Over a two-year period, net assets increased \$12.3 million or 18.4 percent). The ending balance of \$76.1 million is derived by deducting total liabilities from total assets and shows the composition of the University's equity. Restricted for nonexpendable (\$6.0 million) represents the University's endowment corpus, whereas restricted for expendable (\$17.6 million) represents resources that must be spent according to the stipulations of external entities. Unrestricted net assets (\$6.6 million) are available to the University for any lawful purpose under the full discretion of management (Note 3).

The Foundation's net assets increased \$0.01 million, from \$4.4 million to \$4.5 million, due to the fact that expenditures were kept below the revenue level.



## CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

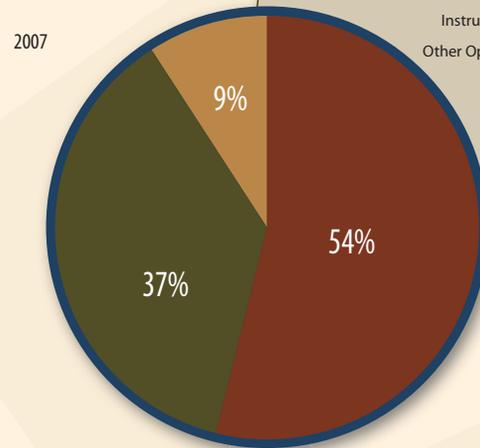
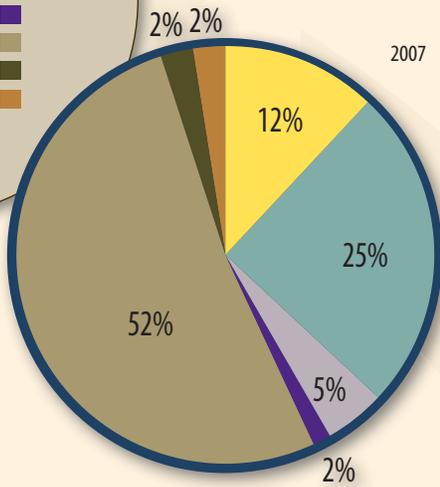
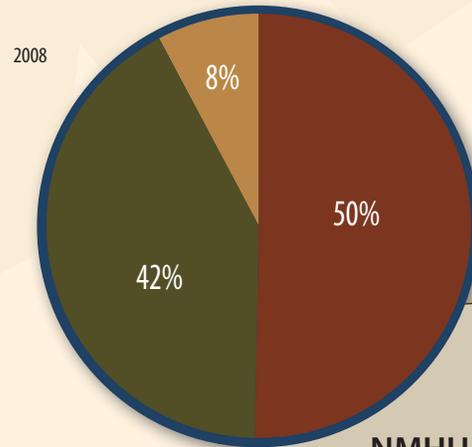
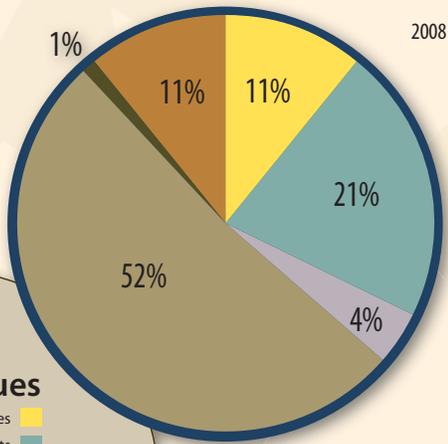
Activities for the years ended June 30, 2008 and 2007 (Thousands)

	2008	2007
Operating Revenues:		
Tuition and Fees, net	\$ 7,984	\$ 7,586
Grants & Contracts	15,514	15,664
Sales and Services / Other Revenue	<u>\$ 2,915</u>	<u>\$ 3,903</u>
Total Operating Revenues	<u>\$26,413</u>	<u>\$27,153</u>
Operating Expenses:		
Instruction and General	32,933	31,234
Other Operating Expenses	22,913	21,359
Depreciation	<u>\$ 4,899</u>	<u>\$ 5,216</u>
Total Operating Expenses	<u>\$60,745</u>	<u>\$57,809</u>
Operating Loss	<u>(34,332)</u>	<u>(30,656)</u>
Non-Operating Revenue:		
State general fund appropriations	35,511	32,563
Interest and investment income	<u>\$ 787</u>	<u>\$ 1,535</u>
Total Non-Operating Revenue:	<u>\$36,298</u>	<u>\$34,098</u>
Income before other revenue, expenses, gains, losses	<u>\$ 1,966</u>	<u>\$ 3,442</u>
Interest on indebtedness	\$ 5,761	\$ 1,448
Capital grants and gifts, net	(317)	—
Other	<u>3</u>	<u>—</u>
Increase in net assets	<u>\$7,414</u>	<u>\$ 4,890</u>
Net assets, beginning, unadjusted		
Cumulative effects – depreciation	<u>\$68,778</u>	<u>\$63,886</u>
Net assets, beginning	<u>\$68,778</u>	<u>\$63,886</u>
Net assets, ending	<u>\$76,192</u>	<u>\$68,776</u>

### Discussion of Statement of Revenues, Expenses and Changes in Net Assets

This statement shows the components that increased, in the aggregate. The University's net assets increased by \$7.4 million during the year. Operating expenses (\$60.7 million) are subtracted from operating revenues (\$26.4 million), resulting in an "operating loss" (\$34.3 million). State general fund appropriations (\$35.5 million), are not included as operating revenue; however, it is reflected as non operating revenue, because they are provided to the University without the state receiving commensurate goods and services in exchange. Since state general fund appropriations are essential for the University to carry out its instructional and public service mission, the reader should focus on the \$1.9 million "Income before other revenue, expenses, gains and losses" achieved during the year. Added to this income is \$5.7 million in capital grants and gifts (federal and state funds designated for construction projects), in order to arrive at an increase in net assets of \$7.4 million.

State general fund appropriations increased by \$2.9 million (9.1%), \$2.9 million is due to the fact that the University's funding base (work load) for Instruction & General was increased by \$.019 million for FY08, because the University's student credit hours had exceeded the required 3% threshold. An additional \$2.0 million is due to a one time funding of Building Replacement & Renewals.



### NMHU Revenues

- Tuition and Fees
- Grants and Contracts
- Sales and Services
- Other Revenue
- State Appropriations
- Interest and Investment
- Capital Grants

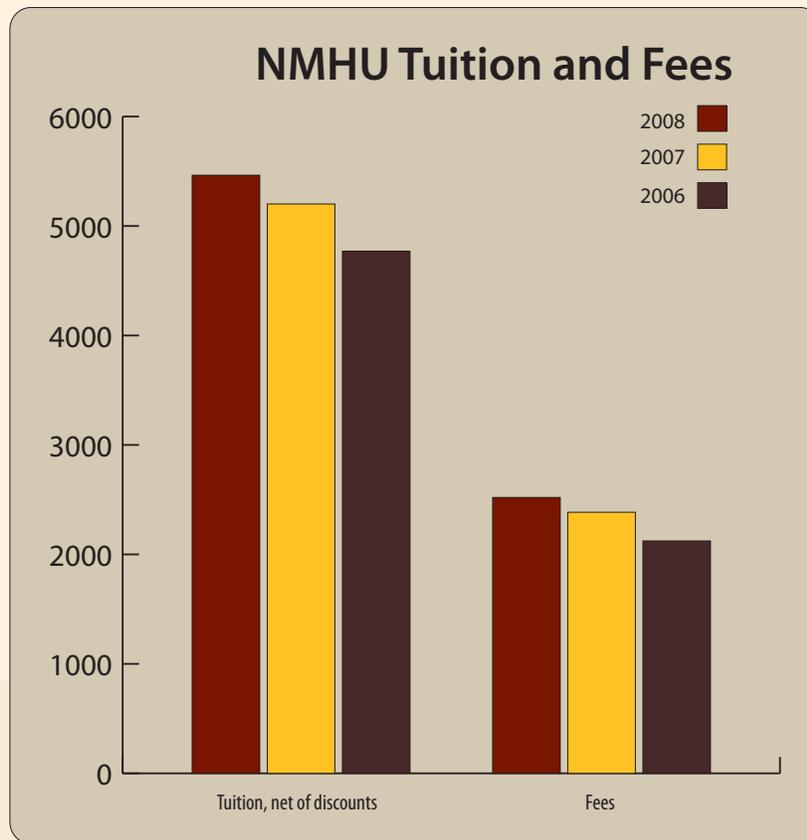
### NMHU Operating Expenses

- Instruction and General
- Other Operating Expenses
- Depreciation

### Analysis of tuition and fees revenue

	2008	2007	Increase (Decrease)	
Tuition	\$6,290	\$6,249	41	.6%
Fees	<u>\$2,672</u>	<u>\$2,389</u>	<u>281</u>	11.7%
Subtotal	\$8,962	\$8,638	322	3.7%
Tuition discounts/allowance	(978)	(1,052)	74	7.0%
Net	<u>\$7,984</u>	<u>\$7,586</u>	<u>396</u>	<u>5.2%</u>

Tuition and fees, net of discounts and allowances, increased by 5.2 percent. However, excluding discounts and allowances, which are calculated using a multi-step formula and subtracted from tuition and fees, the latter increased by \$.32 million, or 3.7 percent.



## CONDENSED STATEMENT OF CASH FLOWS

Statement of Cash Flows for the years ended June 30, 2008 and 2007 (thousands)

	2008	2007
Cash flows from operating activities:		
Net cash used by operating activities	\$(29,236)	\$(28,066)
Net cash provided by noncapital financing activities	\$ 39,270	\$ 34,011
Net cash flow provided by investment activities	\$ 738	\$ 641
Net cash used by capital & related financial activity	<u>\$ 10,352</u>	<u>\$ (4,247)</u>
Net Increase in cash and cash equivalents	\$ 21,124	\$ 2,339
Cash and cash equivalents, beginning of year	<u>\$ 22,549</u>	<u>\$ 20,210</u>
Cash and cash equivalents, ending of year	<u>\$ 43,673</u>	<u>\$ 22,549</u>

## Discussion of Statement of Cash Flows

This statement shows the sources and uses of cash and cash equivalents in four standard categories. The University achieved a \$21.1 million net increase during the year, resulting in an ending cash balance of \$43.6 million. As a result of tight expenditure controls, collection of receivables, timely drawing of grant funds and other prudent cash management measures coupled with proceeds of a bond issue (\$19.7 million), the University was able to gradually increase the average amount of cash in the bank throughout the year, thus significantly improving the University's access to working capital and investment earnings. The Statement of Cash Flows, in conjunction with the Statement of Net Assets, indicates that the University is well able to meet its obligations and finance its operations.

## Discussion of Budget Comparisons

Included in this audit report are summary schedules of original budget, final budget, actual results and variances from the final budget. Schedules are prepared on the budgetary basis vs. the accrual basis of accounting in a fund accounting format as required by the New Mexico State Auditor.

On the Restricted Current Funds and Restricted Instruction & General schedules, significant variances between the original budget and final budget are due to the fact that at the time of submission of the original budget (end of April), the amount of grant and contract awards for the following year is difficult to project accurately, because it is often not known which grants and contracts will be funded. Significant variances between actual results and the final budget are primarily due to the fact that most federal grants have a budget period different from the University's fiscal year and that typically, the entire grant budgets are included in the final budget column, whereas actual results only reflect part of the grants' budget period.



## Discussion of Significant Capital Projects

In FY06, the New Mexico Higher Education Department was tasked to formulate a statewide assessment of facility needs in order to address the issue in the 2008 Legislative session. As a result, the session provided for an additional \$40.0 million dollars distributed through the Building Renewal and Replacement (BR&R) formula to all Higher Education entities. The University was the recipient of approximately \$1.7 million dollars from this fund plus additional appropriations for infrastructure, deferred maintenance, master planning, renovation, equipment, and \$1M toward a new Student Center for a total of \$5.7M. In addition, other funding available from prior General Obligation bonds approved by the Legislature and the citizens of New Mexico includes \$3.0M toward remodeling the Lora Mangum Shields Science Building, \$3.5M for creation of a one-stop shop for student services at the Felix Martinez building, \$3.0M for roof replacement and a new HVAC system at Burris Hall, and \$5.0M toward a new Student Center. The Burris Hall project and approximately 60% of the Science Building are scheduled for completion in the Fall of 2009. In the Spring of 2008, an additional \$1.8M was requested from the Legislature to complete the final 40% of the Science Building. The request along with an additional 9.0M for Infrastructure was approved through General Obligation Bonds which will be presented to the public for a vote in the Fall of 2008. A preliminary review of needs within Felix Martinez as well a Site assessment for the Student Center delayed the procurement of Architects for the projects. The architect selection for Felix Martinez and Student Center projects will also occur in the Fall of 2008. A design for the Student Center that could allow for phased construction will be required in order to initiate construction of a new dining hall with existing funds even as we seek the balance of funding needed for the complete project.

The total projected cost for currently planned Capital Outlay projects is approximately \$73.5 million dollars, which includes \$6.5M in existing funding for the Science Building and Felix Martinez, the projects listed in the table below, plus \$19.4M for a new 276 bed residence hall.

The University issued revenue bonds through the NM Finance Authority to fund the residence hall project. The project is anticipated to be complete and ready for occupancy for the Fall 2009 semester. Funding for the other projects will be sought as listed below during the 2009 legislative session.

Project Name	Request	Estimated Cost
Renovation of the "Trolley Building" For the Media Arts Department	\$ 7,426,796	\$ 7,426,796
Old Las Vegas Hospital Property Acquisition And Renovations	\$ 6,500,000	\$ 6,500,000
Going Green/Energy Efficiency	\$ 1,408,000	\$ 1,408,000
Total	\$ 15,334,796	\$ 15,334,796

**{ The Media Arts program has contributed significantly to preparation of professionals to the Film industry in New Mexico**

The New Mexico Highlands University Board of Regents (BOR) continues to address the needs of the students along with providing a good learning experience for everyone involved in the University setting. The Board of Regents has determined renovation of the Trolley Building for the Media Arts program to be its number one priority and has directed the Administration to seek funding during the 2009 Legislative session. Media Arts is one of the most successful programs in the College of Arts & Sciences, with over 45 currently declared majors, 12 graduate students, and an excellent paid internship program in partnership with the Department of Cultural Affairs.

However, the facility currently used is in poor condition and has never been optimally functional as an academic facility for this program. Classroom and studio space is inadequate and the program is short of office space for incoming faculty. The current facility does not support the technological character of the program adequately. New Mexico Highlands University Media Arts students are in demand (every one of our 2008 graduates is employed in the field). Students have completed numerous multi-media projects for several major museums across the state, the 50th anniversary exhibit for the Santa Fe Opera, an exhibit on the emergence of life for the Santa Fe Institute that was on display at the National Science Foundation in Washington DC during February 2008. They have also, assisted Site Santa Fe with their biennial program and are currently working with the Smithsonian. Media Arts projects have consistently received rave reviews.

The Las Vegas Railroad and Power Company Building “Trolley Building” was erected in 1905. The building employs a Romanesque design and is listed in the State Registrar of Cultural Properties and the National Register of Historic Places as the Las Vegas Railroad and Power company building. The Office of Cultural affairs has indicated it would be pleased to support New Mexico Highlands University efforts to repair and reuse this structure.

The Media Arts motto is “New Ideas from the Old West”. The idea of an historic building housing a cutting edge technology is in line in what is being done at NMHU. Cultural Technology- honoring history and breaking new ground.

The Media Arts program has contributed significantly to preparation of professionals to the Film industry in New Mexico, one of Governor Richardson’s high priorities. NMHU believes the historic preservation of this building and it’s renovation into a Media Arts facility will provide increased opportunities for students and community.

The Board of Regents has also determined acquisition and renovation of the old Las Vegas Hospital property to be a high priority and has directed the Administration to seek funding. The old Las Vegas Hospital is located adjacent to New Mexico Highlands University’s main campus, laying almost directly across from the Wilson Athletic Complex. The University is interested in acquiring and integrating the property into the University campus.

Final uses for the building will be determined as part of the University master plan process, which will begin this academic year. Although specific uses still are to be determined, in all likelihood a high priority use for the building will be as a permanent home for the University’s Nursing program and other health career programs.

Finally, the Board of Regents has determined Going Green/Energy Efficiency to be a priority and has directed the Administration to seek additional funding. This project is compliant with Governor Richardson’s Executive Orders related to Energy Efficiencies. The purpose of the project is to address energy deficiencies campuswide.

## **Strategic Plan and Campus Master Plan**

The University’s Strategic Plan for the period of 2003-08 has gone through a number of leadership changes and has lost some of its relevancy. Due to huge demands on staff, a delay in the campus-wide effort to revisit, update, and simplify the Plan is programmed for FY09. The University’s campus master plan was developed in the late 1990’s and must also be updated.

## **Factors Impacting Future Periods**

Due to a conservative financial management and increases in enrollment, the University has regained a solid financial footing and continues to strengthen its financial position. Based on enrollment increases as of the Fall semester 2008, the University will likely become eligible for an increase in funding through the States’ funding formula in 2010. Enrollment at the main campus and at the various Centers is expected to increase over the next few years due to major investments in the campus buildings and infrastructure, and effective marketing and greater stability in institutional leadership. Several steps are underway to meet student needs more effectively and to improve retention.

In FY06, the Highlands University Board of Regents and Administration decided to target the recruitment of incoming freshmen. The Board of Regents approved a new HOPE (Highlands Opportunity for Performance Excellence) Scholarship for all incoming full-time, first-time freshmen who did not otherwise qualify for a tuition scholarship. The scholarship covers all tuition expenses for the first year at NMHU. This scholarship allows individuals to move into the higher education setting and evaluate their academic potential with minimal financial risk. The HOPE Scholarship also allows students who qualify to transition into the statewide Lottery Scholarship after the first semester. The Hope Scholarship contributed significantly to an increase in new freshman for the fall of 2008.

The University took over the privately run Raton Learning Center and expanded its programming. The University is also actively engaging in strategically relevant partnerships throughout Northern New Mexico and the entire state.

### **Request for Additional Financial Information**

This financial report is designed to provide the executive and legislative branches of the State of New Mexico, the public, the University's vendors and other interested parties with a general overview of the financial position as of June 30, 2008 and the results of operations, cash flows, and budget variances for the year ended for New Mexico Highlands University.

If you have any questions about this report or need additional financial information, contact the following:

New Mexico Highlands University  
Office of University Relations  
PO Box 9000  
Las Vegas, NM 87701  
Phone: (505) 454-3387  
Fax: (505)454-3386



# STATEMENT OF NET ASSETS

Year Ended June 30, 2008

	<u>Primary Institution</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 43,674,225	\$ 7,687
Assets held by others (Note 8)	2,099,750	-
Accounts receivable (Note 3) (net of an allowance of \$2,731,301)	2,942,450	-
Grants receivable (Note 6) (net of an allowance of \$912,243)	1,895,120	-
Due from State of New Mexico (Note 7)	2,446,619	-
Other receivables	181,139	122,540
Inventories (Note 4)	795,161	-
Prepaid assets	<u>204,949</u>	<u>3,628</u>
<b>Total current assets</b>	<u>54,239,413</u>	<u>133,855</u>
Noncurrent Assets		
Investments (Note 5)	5,256,690	4,148,258
Capital assets, net of accumulated depreciation (Note 9)	<u>47,701,882</u>	<u>2,467,712</u>
<b>Total noncurrent assets</b>	<u>52,958,572</u>	<u>6,615,970</u>
<b>Total assets</b>	<u>\$ 107,197,985</u>	<u>\$ 6,749,825</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10)	\$ 5,587,018	\$ 69,215
Accrued compensated absences (Note 11)	607,716	-
Deferred revenue (Note 13)	2,828,528	-
Bonds payable-current portion (Note 11)	885,000	-
Notes payable-current portion (Note 11)	<u>-</u>	<u>232,862</u>
<b>Total current liabilities</b>	<u>9,908,262</u>	<u>302,077</u>
Noncurrent Liabilities		
Accrued compensated absences	431,381	-
Bonds payable long-term portion (Note 12)	20,665,852	-
Assets held for others	-	773,827
Notes payable-long term portion	<u>-</u>	<u>1,156,379</u>
<b>Total noncurrent liabilities</b>	<u>21,097,233</u>	<u>1,930,206</u>
<b>Total liabilities</b>	<u>\$ 31,005,495</u>	<u>\$ 2,232,283</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of debt	\$ 45,891,883	\$ 1,078,472
Restricted for		
Nonexpendable	-	-
Restricted for scholarships and grants	6,003,804	3,859,745
Expendable		
Loans	1,200,407	-
Capital projects	11,297,023	-
Debt service	5,197,692	-
Unrestricted	<u>6,601,681</u>	<u>(420,675)</u>
<b>Total net assets</b>	<u>76,192,490</u>	<u>4,517,542</u>
<b>Total net assets and liabilities</b>	<u>\$ 107,197,985</u>	<u>\$ 6,749,825</u>

*The notes are an integral part of these financial statements*

# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year Ended June 30, 2008

	<u>Primary Institution</u>	<u>Component Unit</u>
Operating revenues		
Tuition and fees	\$ 8,962,231	\$ —
Tuition discounts and allowances	<u>(978,623)</u>	<u>—</u>
	7,983,608	—
Federal grants and contracts	10,098,078	—
State and local grants and contracts	3,560,388	—
Private grants and contracts	1,856,189	—
State land, permanent fund and investment income	190,906	41,665
Sales and services of auxiliary enterprises	3,110,327	—
Contributions	—	769,105
Other	<u>(385,936)</u>	<u>308,120</u>
<b>Total operating revenues</b>	<u><b>26,413,560</b></u>	<u><b>1,118,890</b></u>
Expenses		
Instruction and general		
Instruction	16,144,439	—
Academic support	2,691,979	—
Student services	3,506,635	—
Institutional support	5,388,681	—
Operations and maintenance support	<u>5,201,212</u>	<u>—</u>
	32,932,946	—
Student social/cultural development	678,603	—
Research	2,548,155	—
Public service	8,947,408	—
Student aid grants and stipends	5,203,399	148,474
Tuition discounts and allowances	(978,623)	—
Auxiliary enterprises	2,877,051	—
Athletics	2,425,782	—
Other expenditures	1,211,093	892,793
Depreciation	<u>4,899,426</u>	<u>57,699</u>
<b>Total operating expenses</b>	<u><b>60,745,240</b></u>	<u><b>1,098,966</b></u>
<b>Operating (loss) income</b>	<u><b>(34,331,680)</b></u>	<u><b>19,924</b></u>
Non operating revenues (expenses)		
State appropriations	35,511,581	—
Interest and investment income	786,767	—
Interest on indebtedness	<u>(317,311)</u>	<u>—</u>
<b>Net non-operating revenues</b>	<u><b>35,981,037</b></u>	<u><b>—</b></u>
<b>Income (loss) before contributions, capital contributions</b>	<u><b>1,649,357</b></u>	<u><b>19,924</b></u>
Other		
Capital grants and gifts, net	5,761,426	—
Other	<u>3,933</u>	<u>—</u>
<b>Increase in net assets</b>	<b>7,414,716</b>	<b>19,924</b>
Net assets		
Net assets - beginning of year	68,777,774	4,455,761
Adjustment to prior year net assets (Note 19)	<u>—</u>	<u>41,857</u>
Net assets, beginning of year, as adjusted	<u>68,777,774</u>	<u>4,497,618</u>
Net assets, end of year	<u><u>\$ 76,192,490</u></u>	<u><u>\$ 4,517,542</u></u>

*The notes are an integral part of these financial statements*

# STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

	<u>Primary Institution</u>	<u>Component Unit</u>
Cash Flows From Operating Activities		
Contributions	\$ —	\$ 758,522
Tuition and fees	6,327,890	—
Grants and contracts	16,132,248	—
Sales and services of educational activities	3,196,937	—
Other operating receipts	1,434,293	633,170
Payments to employees for salaries and benefits	(33,079,965)	—
Payments to suppliers	<u>(23,247,764)</u>	<u>(1,098,832)</u>
Net cash (used) provided by operating activities	<u>(29,236,361)</u>	<u>292,860</u>
Cash Flows From Noncapital Financing Activities		
State appropriations	35,511,581	—
Capital grants	3,759,046	—
Net cash provided by noncapital financing activities	<u>39,270,627</u>	<u>—</u>
Cash Flows From Investment Activities		
(Purchases) Sale of investments	630,068	(221,707)
Unrealized gain on assets	(339,437)	—
Interest received on investments	<u>447,330</u>	<u>105,022</u>
Net cash (used) provided by investment activities	<u>737,961</u>	<u>(116,685)</u>
Cash Flows From Capital and Related Financing Activities		
State Appropriations for Capital	2,022,385	—
Cash paid for capital assets	(9,600,852)	—
Repayments of bonds payable	(1,810,000)	—
Proceeds from bonds	19,740,852	(216,683)
Repayments of notes and capital lease payable	<u>—</u>	<u>—</u>
Net cash (used) provided by capital and related financing activities	<u>10,352,385</u>	<u>(216,683)</u>
Net increase in cash and cash equivalents	21,124,612	(40,508)
Cash and cash equivalents, beginning of year	<u>22,549,613</u>	<u>48,195</u>
Cash and cash equivalents, end of year	<u>\$ 43,674,225</u>	<u>\$ 7,687</u>

*The notes are an integral part of these financial statements*



## STATEMENT OF CASH FLOWS (CONTINUED)

Year Ended June 30, 2008

### RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

	<u>Primary Institution</u>	<u>Component Unit</u>
Operating (loss) income	\$ (34,331,680)	\$ 19,924
Adjustments to reconcile operating (loss) income to net cash used by operating activities		
Depreciation expense	4,899,426	57,698
Unrealized gain/loss on investments	-	331,627
Changes in assets and liabilities		
Receivables	(261,914)	(27,394)
Inventories	166,415	-
Other assets	(1,643,967)	(674)
Accounts payable and accrued expenses	557,232	(43,446)
Deferred revenue	939,720	-
Investment and interest income	-	(44,875)
Compensated absences	438,407	-
Net cash (used) provided by operating activities	<u>\$ (29,236,361)</u>	<u>\$ 292,860</u>

*The notes are an integral part of these financial statements*



## Notes:

### NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Creation and Purposed Entity.** New Mexico Highlands University (University) formerly known as New Mexico Normal University, was established in 1893 when New Mexico was still a territory. The institution began operations in October 1898 and in 1917, the institution became a four-year teacher training college awarding the Bachelor of Arts degree.

Graduate work in certain departments, leading to the degrees of Master of Arts and Master of Science, were added in the late 1920s and the mid-1950s, respectively. In 1941, the New Mexico Legislature changed the name of the institution to New Mexico Highlands University. The University's campus, including its golf course, encompasses approximately 176 acres in Las Vegas, in the northeastern portion of New Mexico.

**Governance.** The University is controlled and managed by a Board of Regents consisting of five members appointed by the Governor, with the advice and consent of the New Mexico Senate, for a term of six years, except for the Student Representative, who serves for a term of two years. Not more than three of the Regents shall belong to the same political party at the time of their appointment. Four of the five members of the Board must be qualified electors of the State, and the fifth member shall be a member of the student body of the institution. The Board of Regents constitutes a body politic and corporate, and has the power to sue and be sued, to contract and be contracted with, and the title to all property belonging to the University is vested in this corporate body and successors.

**Basis of Accounting.** For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. The University applies all applicable Governmental 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. The University has elected to not apply FASB pronouncements issued after the applicable date.

**Basis of Presentation and Financial Reporting Entity.** New Mexico Highlands University and component unit present their financial statements in accordance with Governmental Accounting Standards Board (GASB) 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; GASB 35 – Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities; GASB 37 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; And GASB 38 – Certain Financial Statement Note Disclosures. This financial report provides an entity-wide perspective of the University's assets, liabilities, and net assets, revenues, expenses and changes in net assets, and cash flows.

The University has adopted Governmental Accounting Standards Board Statement No 39, Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement 14 (GASB 39). GASB 39 provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as discretely presented component units based on the nature and significance of their relationship with the University. As required by GASB 14 and 39, these basic financial statements present the University and its component unit entity for which the University is considered to be financially accountable. This entity was selected for inclusion based on criteria as set forth in GASB 14 and 39. 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 following discretely presented component unit is included in these financial statements:

#### **New Mexico Highlands Foundation, Inc. (Foundation)**

The Foundation was organized as a not-for-profit New Mexico corporation under Section 501(c)(3) of the Internal Revenue Code. The Foundation receives support from contributions, earnings on investments and rental of real estate.

The University adopted GASB 40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement 3. The GASB 40 statement addresses common deposit and investment risk related to custodial credit risk, credit risk, concentration of credit risk, interest rate risk and foreign currency risk. It also requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates as well as identification of deposit and investment policies related to the risks.

**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 New Mexico Higher Education Department (HED) in formulating its budgets and in exercising budgetary control. It is through the HED's policy that, when the appropriation has been made to the University, its Board of Regents can, in general, adopt an operating budget within the limits of available income.

#### **Procedures for Approval of Operating Budgets**

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

Unexpended state appropriations do not revert to the State of New Mexico at the end of the fiscal year, and are available for expenditures to the University in subsequent years pursuant to the General Appropriation Act of 2004, Section 4, J (Higher Education).

**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.

The Accompanying Schedule of Budget and Actual – Current and Plant Funds, for year ended June 30 2008, (the "schedule") is prepared on the basis of accounting prescribed by the State of New Mexico, Higher Education Department (the Department). The Department requires budgets for current restricted, current unrestricted and plant fund revenues and expenditures on a basis consistent with the financial reporting model used by the University prior to implementation of GASB Statements No. 34 and 35. Additions to capital assets and debt principal retirements are reported as expenditures on the budget basis, but not on the basis required by generally accepted accounting principles (GAAP). Depreciation expense, scholarship allowance, Perkins Loans/Endowment Scholarship and Endowment/Agency expenditures are GAAP requirements not included on the budget basis submitted to HED.

**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. Unrealized gain or (loss) on the carrying value of investments are reported as investment income in the statements of revenues, expenses and changes in net assets. The carrying value of investments is based on quoted market prices. Investments are made in accordance with the Constitution of the State of New Mexico and the policies of the Board of Regents.

**Inventory.** Inventories of supplies and materials held for sale or use are stated substantially at the lower of cost (first-in, first-out) or market value.

**Income Taxes.** The University, as an instrumentality of the State of New Mexico, is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Contributions to the University are deductible by donors as provided under Section 170 of the Internal Revenue Code.

**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.

**Deferred Income.** Revenue for each academic session is reported within the fiscal year during which the session is completed. Revenues for the summer session starting in May 2008 are shown as deferred income in the accompanying financial statements since the session was not completed at June 30, 2008. Deferred revenues also include amounts received from grant and contract sponsors that have not been earned.

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

**Capital Assets.** Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Livestock for educational purposes is recorded at estimated fair value. For equipment (including software), 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 University does not capitalize historical treasures or works of art.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 25 years for buildings, 15 years for land improvements, 10 years for library books, 5 to 12 years for furniture, fixtures and equipment and 5 years for autos.

**Compensated Absences.** The University accounts for the accumulated vacation leave on the accrual basis in accordance with GASB 16. The current portion of the accumulated vacation leave is calculated as an average of the annual leave taken for the last five years. Accrued vacation up to 240 hours is recorded at 100% of the employee's hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA).

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

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

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

**Restricted Net Assets - Expendable.** Expendable restricted net assets are resources that the University is legally or contractually obligated to spend in accordance with imposed restrictions by third parties.

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

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

**Classification of Revenues.** The University has classified its revenues as either operating or nonoperating 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.

**Nonoperating Revenues.** Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9 Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, such as state appropriations and investment income.

**Special Appropriation.** The University receives special appropriations during the year. When an expense is incurred that can be paid using either unrestricted or special appropriation resources, the University's policy is first apply the expense toward the special appropriation. The special appropriation funds are non-reverting and were spent during the year.

**Presentation.** Certain classifications of information have been made to conform to current year presentation.

## NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash in banks, certificates of deposit with various financial institutions, and an investment in the New Mexico State Treasurer Local Government Investment Pool.

	<u>New Mexico Highlands University</u>	<u>Component Unit NMHU Foundation</u>
Cashier's Cash	\$ 15,251	\$ -
Bank Deposits	175,499	7,687
Bank of Albuquerque	1,342,528	-
State Treasurer Local Government Investment Pool	<u>42,140,947</u>	<u>-</u>
	<u>\$ 43,674,225</u>	<u>\$ 7,687</u>

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Section 6-10-17, New Mexico Statutes requires that all depositories of the University provide collateral equal to at least one-half of the amount of uninsured public monies on deposit. Per State Auditor's Rule 2.2.2.10 N. Public Monies: cash on deposit with the State Treasurer does not require disclosure of specific pledged collateral for amounts held by the State Treasurer. The reader should examine the State Treasurer's separately issued financial statements for such disclosures.

As of June 30, 2008, none of the government's bank balance of \$45,192,525 was exposed to custodial credit risk.

**Credit Risk.** The University has money market funds and investments in the local government investment pool that are considered cash. As of June 30, 2008, the University's money market accounts are backed by commercial paper and other debt instruments that are rated AAA by Moody's Investor Service.

**Interest Rate Risk.** The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**New Mexico State Treasurer Local Government Investment Pool.** As of June 30, 2008, the State Treasurer Investment Pool was paying the University 2.4 percent per annum. The interest rate is determined by the State Treasurer. The following applies to the State Treasurer Investment Pool:

- The investments are valued at fair value based on quoted market prices as of the valuation date;

The New Mexico State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the perspective amounts deposited in the fund and the length of time the amounts fund were invested; and participation is voluntary. The State Treasurers rating of investments are for an average maturity of 24 days and the rating is AAAM by Standard & Poor's.

## NOTE 3. ACCOUNTS RECEIVABLE

Accounts Receivable as of June 30, 2008, consisted of the following:

Student accounts receivable	\$ 4,373,576
Perkins loan receivable	1,138,493
Bookstore receivables	145,807
Rio Rancho bookstore receivables	<u>15,875</u>
Total student accounts receivable	5,673,751
Less Allowance for Uncollectible	<u>(2,731,301)</u>
Accounts Receivable, Net	<u>\$ 2,942,450</u>

NOTE 4. INVENTORIES

At June 30, 2008, inventories of the University are summarized as follows:

Facilities services	\$ 123,043
Book store	400,846
Rio Rancho book store	119,768
Athletics	<u>151,504</u>
Total inventory	<u>\$ 795,161</u>

NOTE 5. INVESTMENTS

At June 30, 2008, investments of the University and its components units are summarized as follows:

	<u>New Mexico Highlands University</u>	<u>Component Unit NMHU Foundation</u>
State investment council	\$ 2,273,529	\$ -
State investment council (land grant)	2,983,161	-
Mutual funds	-	433,923
Common stocks	-	2,751,082
U.S. obligations	-	186,314
U.S. agency obligations	-	166,559
International bonds	-	19,633
U.S. corporate bonds	<u>-</u>	<u>590,747</u>
Total investments	<u>\$5,256,690</u>	<u>\$ 4,148,258</u>

**Interest Rate Risk.** The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** The University has an investment policy that requires an allocation percentage of a maximum of 75% of the funds will be invested and a minimum of 35% in both equities and fixed income securities. As of June 30, 2008, the University's investment in the state investment pool fixed income funds consists of the Core Bond Fund, which consists of commercial paper and other debt instruments that are rated between AA-2 and AA S&P by Moody's Investors Service.

**Foundation Investment Risk.** As of June 30, 2008 the Foundation had the following investments subject to investment rate risk:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>
U.S. obligations	\$ 186,314	4.33
U.S. agency obligations	166,559	4.40
International bonds	19,633	1.34
U.S. corporate bonds	<u>590,747</u>	3.34
	<u>\$ 963,253</u>	
Portfolio weighted average maturity		3.35

The Foundation is not required to follow State Statutes and therefore no collateralization is required. As of June 30, 2008, none of the Foundation's bank balance was exposed to uncollateralized and uninsured amounts.

Foundation Credit Risk. As of June 30, 2008 the Foundation had the following investments subject to investment rate risk:

U.S. Corporate Bonds:

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 24,505
AA	162,918
A	302,135
BAA	69,248
BBB	<u>31,940</u>
	<u>\$ 590,746</u>

International Bonds:

<u>Rating</u>	<u>Fair Value</u>
A	\$ 5,398
BAA	9,345
BBB	<u>4,890</u>
	<u>\$ 19,633</u>

U.S. Agency Obligations:

<u>Rating</u>	<u>Fair Value</u>
AAA	<u>\$ 166,559</u>

The endowment spending policy is in concert with the long term endowment management philosophy of the University, which is to preserve the permanent viability of the endowment. The University supports vital scholarship and other programs from earning of its endowment. These programs are in concert with provisions established by donors of the endowment.

Net appreciation/depreciation on donor-restricted endowments and related investment income are recorded as an increase in temporarily restricted net assets until the amount is expended in accordance with donor specifications and in accordance with the State of New Mexico Uniform Management of Institutional Funds Act (Chapter 46, Article 9, NMSA 1978). During the current year, donor-restricted endowments had net depreciation of \$331,627 and investment income of \$105,022.

NOTE 6. GRANTS RECEIVABLE

As of June 30, 2008, grants receivables consisted of the following:

Federal grants	\$ 826,070
State grants	751,544
Private grants	<u>317,506</u>
Total grants receivables	<u>\$1,895,120</u>

NOTE 7. DUE FROM STATE OF NEW MEXICO

The amount of \$2,446,619 on the Statement of Net Assets consists of amounts due for capital projects as of June 30, 2008.

NOTE 8. ASSETS HELD BY OTHERS

As of June 30, 2008, assets held by others consist of the following:

New Mexico Finance Authority	
Debt Service Fund 2008 Issue	\$1,325,923
Foundation Endowment	<u>773,827</u>
Total assets held by others	<u>\$2,099,750</u>

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

The following schedule presents the changes in capital assets and accumulated depreciation by major asset category for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Capital assets not being depreciated				
Land	\$ 2,041,632	\$ -	\$ -	\$ 2,041,632
Artwork	71,650	-	-	71,650
Construction-in-progress	<u>617,641</u>	<u>3,976,614</u>	<u>-</u>	<u>4,594,255</u>
Total capital assets not being depreciated	<u>\$ 2,730,923</u>	<u>\$3,976,614</u>	<u>\$ -</u>	<u>\$ 6,707,537</u>
Other capital assets				
Land improvements	\$ 7,341,518	\$2,325,859	\$ -	\$ 9,667,377
Buildings	79,078,231	2,412,106	-	81,490,337
Furniture, fixtures and equipment	16,094,254	620,627	960,166	15,754,715
Library materials	<u>7,722,982</u>	<u>422,176</u>	<u>195,335</u>	<u>7,949,823</u>
Total other capital assets	\$ 110,236,985	\$5,780,768	\$ 1,155,501	\$ 114,862,252
Less accumulated depreciation for				
Land improvements	\$ 2,732,466	\$ 579,565	\$ -	\$ 3,312,031
Buildings	48,688,041	2,220,503	-	50,908,544
Furniture, fixtures and equipment	12,246,637	1,271,167	803,635	12,714,169
Library materials	<u>6,300,307</u>	<u>828,191</u>	<u>195,335</u>	<u>6,933,163</u>
Total accumulated depreciation	69,967,451	4,899,426	998,970	73,867,907
Other capital assets, net	<u>\$ 40,269,534</u>	<u>\$ 881,342</u>	<u>\$ 156,531</u>	<u>\$ 40,994,345</u>
Capital assets summary:				
Capital assets not being depreciated	\$ 2,730,923	\$3,976,614	\$ -	\$ 6,707,537
Other capital assets	<u>110,236,985</u>	<u>5,780,768</u>	<u>1,155,501</u>	<u>114,862,252</u>
Total cost of capital assets	112,967,908	9,757,382	1,155,501	121,569,789
Less accumulated depreciation	<u>69,967,451</u>	<u>4,899,426</u>	<u>998,970</u>	<u>73,867,907</u>
Capital assets, net	<u>\$ 43,000,457</u>	<u>\$4,857,956</u>	<u>\$ 156,531</u>	<u>\$ 47,701,882</u>
<i>Depreciation expense for the year totaled \$4,899,426 and was charged to the General Fund.</i>				
<b>Discretely Presented Component Unit</b>				
Capital assets not being depreciated				
Land	\$ 794,460	\$ -	\$ -	\$ 794,460
Other capital assets				
Buildings	2,250,237	-	-	2,250,237
Less accumulated depreciation for				
Buildings	<u>519,286</u>	<u>57,699</u>	<u>-</u>	<u>576,985</u>
Other capital assets, net	<u>\$ 1,730,951</u>	<u>\$ (57,699)</u>	<u>\$ -</u>	<u>\$ 1,673,252</u>
Capital assets summary				
Capital assets not being depreciated	\$ 794,460	\$ -	\$ -	\$ 794,460
Other capital assets, at cost	<u>2,250,237</u>	<u>-</u>	<u>-</u>	<u>2,250,237</u>
Total cost of capital assets	3,044,697	-	-	3,044,697
Accumulated depreciation	<u>(519,286)</u>	<u>(57,698)</u>	<u>-</u>	<u>(576,985)</u>
Capital assets, net	<u>\$ 2,525,411</u>	<u>\$ (57,699)</u>	<u>\$ -</u>	<u>\$ 2,467,712</u>

NOTE 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The \$5,587,018 amount consists of \$3,570,065 of accounts payables, and \$2,016,953 of accrued payroll tax liabilities.

**Discretely Presented Component Unit**

The \$69,215 amount consists of the Foundation's \$66,514 of accounts payables, and \$2,701 of accrued interest liabilities.

NOTE 11. LONG-TERM LIABILITIES

Long-term liability activity for the University for the year ended June 30, 2008, is as follows:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>	<u>Amount Due Within 1 Year</u>
Bonds payable	<u>\$3,620,000</u>	<u>\$19,740,852</u>	<u>\$ 1,810,000</u>	<u>\$ 21,550,852</u>	<u>\$ 885,000</u>
Accrued Compensated balances	<u>\$ 807,386</u>	<u>\$ 1,039,097</u>	<u>\$ 807,386</u>	<u>\$ 1,039,097</u>	<u>\$ 607,716</u>

**Discretely Presented Component Unit**

Long-term liability activity for the year ended June 30, 2008, is as follows:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>	<u>Amount Due Within 1 Year</u>
Notes payable	<u>\$1,605,925</u>	<u>\$ —</u>	<u>\$ 216,684</u>	<u>\$ 1,389,241</u>	<u>\$ 232,862</u>

NOTE 12. BONDS PAYABLE AND NOTES PAYABLE

The bonds are collateralized by substantially all unrestricted revenues, excluding state appropriations. Bonds payable consist of the following:

- Systems refunding revenue bonds services, 2008, issued April 18, 2008, with interest ranging from 3.10% to 4.85% - final maturity 2034. \$ 19,740,852
- System refunding revenue bonds services 1998 issued for \$9,150,000, with interest ranging from 4.50% to 4.70% - final maturity 2011. \$ 1,810,000

Total bonds payable	\$ 21,550,852
Less amounts due within one year	<u>885,000</u>
Long term bonds payable	<u>\$ 20,665,852</u>

Debt service requirements for future fiscal years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 885,000	\$ 934,163	\$ 1,819,163
2010	1,402,933	863,169	2,266,102
2011	492,800	848,339	1,341,139
2012	508,671	832,507	1,341,178
2013	525,512	815,708	1,341,220
2014-2018	2,918,279	3,788,550	6,706,829
2019-2023	3,546,436	3,161,963	6,708,399
2024-2028	4,418,702	2,291,878	6,710,580
2029-2033	5,571,539	1,141,923	6,713,462
2034	<u>1,280,980</u>	<u>62,131</u>	<u>1,343,111</u>
	<u>\$ 21,550,852</u>	<u>\$14,740,331</u>	<u>\$ 36,291,183</u>

NOTE 12. BONDS PAYABLE AND NOTES PAYABLE (CONTINUED)

**Early Redemption.** On June 15, 2008, The University redeemed System Refunding Revenue Bonds series 1998, bonds maturing on June 15, 2011 in the aggregate principal amount of \$965,000 and has elected to redeem bonds maturing in 2010 in the aggregate amount of \$925,000 on June 30, 2009. The cash flow savings to the University from the early redemptions are \$221,165.

The Foundation has a note payable which was used to pay off existing real property and indebtedness.

<u>Seven year note payable</u>	<u>Amount</u>
July 30, 2013 with 60 monthly payments of \$27,000 and one irregular last payment of \$41,289 at a 7% fixed interest rate. The note is secured with building and land.	\$ 1,389,241
Less current portion	<u>(232,862)</u>
Total long-term portion	<u>\$1,156,379</u>

The scheduled maturity of note payable for the Foundation is as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 232,862
2009	249,937
2010	268,264
2011	287,847
2012	309,042
2013	<u>41,289</u>
	<u>\$1,389,241</u>

NOTE 13. DEFERRED REVENUE

As of June 30, 2008, deferred revenue consisted of the following:

Grants and contract	\$1,093,585
Stafford loans	163,545
Tuition	822,846
Housing/meal plan	<u>748,552</u>
Total	<u>\$2,828,528</u>

NOTE 14. RISK MANAGEMENT

**State Risk Management Pool.** The University as a state university defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. Annual premiums are paid to the Office of Risk Management for coverage provided in the following areas:

1. Liabilities Workers Compensation
  - General Liability
  - Law Enforcement
  - Medical Malpractice
  - Auto Liability
  - Civil Rights
  - State Unemployment Insurance

## NOTE 14. RISK MANAGEMENT (CON'T)

### 2. Property

- Fine Arts
- Blanket Property
- Boiler & Machinery
- Auto Physical Damage
- Crime

## NOTE 15. EMPLOYEE BENEFITS

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

**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, 2008, was \$179,520 which has been charged to expenditures.

**Retirement Plan.** Employees of the University participate in a defined benefit contributory retirement plan through the Educational Retirement Act (ERA) of the State of New Mexico; certain faculty may opt into an alternate retirement plan invested in tax-sheltered annuities. ERA is a cost sharing multiple employer public employee retirement system. Information pertaining to the actuarially computed present value of vested accumulated plan benefits and nonvested accumulated plan benefits, the plan's net assets available for benefits and the assumed rate of return used in computing the present value, and ten-year historical trend information presenting ERA's progress in accumulating sufficient assets to pay benefits when due is not available as it relates to individual government agencies participating in the plan. Actuarial pension data for the State of New Mexico, as employer, is provided at the statewide level in a separately issued audit report of the ERA.

**Retirement Eligibility.** The benefit for retirement at age 60, or after 25 years of service before age 60, is an annual sum equal to the "final average salary" multiplied by the total number of years of service credit times 2.35%.

A member is eligible to retire when:

1. The member's age and earned service credit add up to the sum of 75 or more, or
2. The member is age 65 or more with at least five years of earned service credit, or
3. The member has earned service credit at allowed service credit rates totaling 25 or more years.

A further requirement to be eligible to retire is that one must be a "member" having at least one year of employment after July 1, 1957, and at least five years of contributory employment. The cost of such contributions is 16.25% of the average salary of the last five years for each year of contributory employment needed, plus 3% compounded interest from July 1, 1957, to the date of payment.

When a member has completed five or more years of "earned service credit" and has made contributions for at least five years, the member may terminate employment, leave contributions in the retirement fund and retire (1) when the member's age and years of "earned service credit" (covered employment in New Mexico) add up to the sum of 75 or more, or (2) the member may retire at age 65, if the member has at least five years of "earned service credit." Eligible member who have one year of employment after July 1, 1957, but less than the required five, may receive credit for the additional years by making a contribution to the fund. The amount of the required contribution equals that which would have been made had the employee been covered by ERA for five years, less any amounts already contributed, while earning the average salary for the period of actual employment.

**Funding Policy.** Plan members are required to contribute 7.825% of their gross salary. The University is required to contribute 10.90% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011, when the employer contribution will be 13.9%. 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 years ending June 30, 2008, June 30, 2007, and June 30, 2006 were \$3,494,257, \$3,199,294, and \$3,040,195, respectively, equal to the amount of the required contribution for each fiscal year.

**Health Insurance.** 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 Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA 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 legislatures who served at least two years; and 4) former governing authority members who served at least four years. The Retiree Health Care Authority issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment health care plan. That report and further information may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd., Suite 104, Albuquerque, NM 87107.

**Funding Policy.** The Retiree Health Care Act (Section 10-7C13 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 basis 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 [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

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. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the NMRHCA base on one of two formulas at agreed – upon intervals.

The NMRHCA plan is finance on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the NMRHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The University's contributions to the NMRHCA for years ended June 30, 2008, 2007, and 2006 were \$285,287, \$268,888, \$258,128 respectively, which equal the required contributions for each year. For the fiscal year June 30, 2008, the Retiree Health Care Authority is required to implement Government Accounting Standards Board Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions [OPED]. This Statement establishes standards for the measurement, recognition, and display OPED, expense/expenditures and related liabilities (assts), note disclosures and if applicable, required supplementary information in the financial reports of state and local government employees. Retiree Health Care Authority and the University cannot determine the impact this will have on their financial statements. Professors, coaches and top administrators who are eligible for the regular retirement plan may elect to go with an alternative retirement plan. With the alternative plan, the University contributes 3% of covered employee's gross salary to ERB and 7.90% to the carrier selected by the employee. The employee contributes 7.825% of his/her gross salary to the carrier they select. Contributions by the University totaled \$90,550 to the ERB for the alternative plan and \$237,677 to the various carriers for the year ended June 30, 2008. Employees contributed \$235,420 to the various carriers under the alternative plan during the year ended June 30, 2008.

## NOTE 16. LEASES

At June 30, 2008, the University had various operating lease arrangements summarized as follows:

**Operating Leases.** Rent expense for operating leases amounted to \$1,102,586 for the year ended June 30, 2008.

**Minimum Lease Payments.** The following is a schedule of future minimum lease payments for these leases at June 30, 2008:

<u>Year Ending June 30.</u>	<u>Operating Leases</u>
2009	\$ 925,370
2010	661,515
2011	392,914
2012	376,208
2013	376,208
2014-2018	1,881,040
2019-2023	1,881,040
2024-2028	1,881,040
2029-2033	1,881,040
2034-2038	<u>1,881,040</u>
	<u>\$ 12,137,415</u>

## NOTE 17. COMMITMENTS AND CONTINGENCIES

At June 30, 2008, the University had issued purchase orders for materials and services which were not received and thus not reflected as liabilities in the accompanying combined balance sheet. The appropriate amount of such commitments is detailed as follows:

Current/Loan Funds	<u>\$ 686,342</u>
Plant Funds	<u>\$ 20,096,977</u>

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 18. RECONCILIATION OF BUDGET BASIS TO GAAP

	<u>Expenditures</u>
Budget basis expenditures	\$ 68,373,435
Capital expenditures	(9,152,722)
Bond payments	(2,127,311)
Depreciation	4,899,426
Scholarship allowance	(978,623)
Perkins loans/endowment scholarships	(442,346)
Endowment/agency expenditures	<u>173,381</u>
Expenses per GAAP	<u>\$ 60,745,240</u>
	<u>Revenues</u>
Budget basis revenue	\$ 89,212,119
Capital bond proceeds	(19,740,852)
Scholarship allowance	(978,623)
Other	<u>(15,377)</u>
Revenues per GAAP	<u>\$ 68,477,267</u>

## NOTE 19. FOUNDATIONS PRIOR YEAR ADJUSTMENT

An adjustment was made to prior year net assets to account for accumulated asset appreciation/depreciation for asset, which were held on behalf of the University during the prior year.

COMBINED REVENUES AND EXPENDITURES  
 BUDGET COMPARISONS  
 Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Beginning Fund Balance	\$ 10,306,785	\$ 17,583,691	\$ 22,048,376	\$ 4,464,685
<b>Unrestricted &amp; Restricted Revenues</b>				
State general fund appropriations	33,709,279	33,605,279	35,011,582	1,406,303
Federal revenue sources	9,295,451	8,524,103	8,952,694	428,591
Tuition and fees	7,083,442	7,147,551	6,864,459	(283,092)
Land and permanent fund	160,000	160,000	190,906	30,906
Private grants/contracts	1,619,989	2,224,576	1,691,076	(533,500)
Sales & service	3,349,802	2,964,500	3,196,937	232,437
Government grants - state	18,728,886	6,200,580	6,307,916	107,336
Endowments and private gifts	-	-	-	-
Other	<u>2,057,000</u>	<u>2,231,000</u>	<u>26,996,549</u>	<u>24,765,549</u>
<b>Total revenues</b>	76,003,849	63,057,589	89,212,119	26,154,530
<b>Total Unrestricted &amp; Restricted Revenues</b>	<u>86,310,634</u>	<u>80,641,280</u>	<u>111,260,495</u>	<u>30,619,215</u>
<b>Unrestricted &amp; Restricted Expenditures</b>				
Instruction and general	37,425,315	31,987,674	32,776,414	788,740
Student social and cultural	603,091	736,934	678,603	(58,331)
Research	2,984,860	1,949,902	2,548,155	598,253
Public service	8,567,320	8,464,454	8,947,408	482,954
Internal service departments	157,317	220,768	248,697	27,929
Student aid	6,009,431	6,312,548	5,645,745	(666,803)
Auxiliary enterprises	2,969,913	2,619,564	2,708,675	89,111
Intercollegiate athletics	2,454,117	2,128,552	2,425,782	297,230
Capital outlay	14,117,156	10,000,000	8,323,585	(1,676,415)
Renewal and replacements	2,532,194	2,342,506	1,943,060	(399,446)
Retirement of indebtedness	<u>1,065,632</u>	<u>1,065,632</u>	<u>2,127,311</u>	<u>1,061,679</u>
<b>Total Unrestricted &amp; Restricted Expenditures</b>	<u>78,886,346</u>	<u>67,828,534</u>	<u>68,373,435</u>	<u>544,901</u>
<b>Net Transfers</b>	-	-	-	-
Change in net assets-budgetary basis	<u>(2,882,497)</u>	<u>(4,770,945)</u>	<u>20,838,684</u>	<u>25,609,629</u>
<b>Ending Fund Balance</b>	<u>\$ 7,424,288</u>	<u>\$ 12,812,746</u>	<u>\$ 42,887,060</u>	<u>\$ 30,074,314</u>

UNRESTRICTED CURRENT FUNDS  
REVENUES AND EXPENDITURES  
BUDGET COMPARISONS  
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Beginning Fund Balance	\$ 5,047,740	\$ 7,173,661	\$ 4,820,293	\$ (2,353,368)
Revenues				
Tuition	6,543,067	6,566,001	6,290,143	(275,858)
Miscellaneous fees	540,375	581,550	574,316	(7,234)
Government appropriations-federal	-	-	-	-
Government appropriations-state	33,709,279	33,605,279	35,011,582	1,406,303
Government appropriations-local	-	-	-	-
Government grants - federal	-	-	-	-
Government grants - state	14,550,525	2,512,232	2,002,385	(509,847)
Contracts - local	-	-	-	-
Private grants/contracts	12,500	12,500	12,415	(85)
Endowments	-	-	-	-
Land and permanent fund	160,000	160,000	190,906	30,906
Private gifts	-	-	-	-
Sales & service	3,349,802	2,964,500	3,196,937	232,437
Other sources	<u>2,057,000</u>	<u>2,231,000</u>	<u>26,996,549</u>	<u>24,765,549</u>
<b>Total revenues</b>	<b>60,922,548</b>	<b>48,633,062</b>	<b>74,275,233</b>	<b>25,642,171</b>
<b>Total Unrestricted Revenues</b>	<b><u>65,970,288</u></b>	<b><u>55,806,723</u></b>	<b><u>79,095,526</u></b>	<b><u>23,288,803</u></b>
Unrestricted Expenditures				
Instruction and general	36,622,315	31,316,515	32,169,124	852,609
Student social and cultural	557,445	617,652	558,419	(59,233)
Research	659,645	601,394	572,285	(29,109)
Public service	1,640,500	1,670,748	1,658,956	(11,792)
Internal service departments	135,595	194,005	232,869	38,864
Student aid	1,090,762	903,320	792,171	(111,149)
Auxiliary enterprises	2,942,605	2,586,435	2,667,489	81,054
Intercollegiate athletics	2,441,196	2,105,800	2,391,280	285,480
Independent operations	-	-	-	-
Capital outlay	14,117,156	10,000,000	8,323,585	(1,676,415)
Renewal and replacements	2,532,194	2,342,506	1,943,060	(399,446)
Retirement of indebtedness	<u>1,065,632</u>	<u>1,065,632</u>	<u>2,127,311</u>	<u>1,061,679</u>
<b>Total Unrestricted Expenditures</b>	<b><u>63,805,045</u></b>	<b><u>53,404,007</u></b>	<b><u>53,436,549</u></b>	<b><u>32,542</u></b>
<b>Net Transfers</b>	<b>2,396,604</b>	<b>7,887,801</b>	<b>7,927,467</b>	<b>39,666</b>
<b>Change in Fund Balance (budgetary basis)</b>	<b><u>(5,279,101)</u></b>	<b><u>(12,658,746)</u></b>	<b><u>12,911,217</u></b>	<b><u>25,569,963</u></b>
<b>Ending Fund Balance</b>	<b><u>\$ (231,361)</u></b>	<b><u>\$ (5,485,085)</u></b>	<b><u>\$ 17,731,510</u></b>	<b><u>\$ 23,216,595</u></b>

UNRESTRICTED CURRENT FUNDS  
SUMMARY OF INSTRUCTION AND GENERAL  
REVENUES AND EXPENDITURES  
BUDGET COMPARISONS  
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Beginning Fund Balance	\$ 2,950,988	\$ 2,950,988	\$ 4,773,307	\$ 1,822,319
Revenues				
Tuition	6,256,333	6,309,351	6,282,160	(27,191)
Miscellaneous fees	286,734	256,650	284,846	28,196
Government appropriations-federal	—	—	—	—
Government appropriations-state	29,914,879	29,810,879	31,215,137	1,404,258
Government appropriations-local	—	—	—	—
Government grants - federal	—	—	—	—
Government grants - state	—	—	—	—
Contracts - local	—	—	—	—
Private grants/contracts	—	—	—	—
Endowments	—	—	—	—
Land and permanent fund	160,000	160,000	190,906	30,906
Private gifts	—	—	—	—
Sales & service	70,000	95,000	108,376	13,376
Other sources	<u>1,780,000</u>	<u>1,975,000</u>	<u>2,573,767</u>	<u>598,767</u>
<b>Total revenues</b>	<u>38,467,946</u>	<u>38,606,880</u>	<u>40,655,192</u>	<u>2,048,312</u>
<b>Total Unrestricted Revenues</b>	<u>41,418,934</u>	<u>41,557,868</u>	<u>45,428,499</u>	<u>3,870,631</u>
Expenditures				
Instruction	17,857,859	14,915,238	15,557,176	641,938
Academic support	2,878,214	2,718,409	2,659,809	(58,600)
Student services	3,476,375	3,381,335	3,395,886	14,551
Institutional support	7,117,267	5,407,003	5,365,420	(41,583)
Oper. & maint. of plant	<u>5,292,600</u>	<u>4,894,530</u>	<u>5,190,833</u>	<u>296,303</u>
<b>Total expenditures</b>	<u>36,622,315</u>	<u>31,316,515</u>	<u>32,169,124</u>	<u>852,609</u>
Net Transfers	2,990,983	8,678,779	8,506,964	(171,815)
Change in net assets-budgetary basis	<u>(1,145,352)</u>	<u>(1,388,414)</u>	<u>(20,896)</u>	<u>1,367,518</u>
Ending Fund Balance	<u>\$ 1,805,636</u>	<u>\$ 1,562,574</u>	<u>\$ 4,752,411</u>	<u>\$ 3,189,837</u>

RESTRICTED CURRENT FUNDS  
REVENUES AND EXPENDITURES  
BUDGET COMPARISONS  
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
<b>Revenues</b>				
Tuition	\$ -	\$ -	\$ -	\$ -
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriation - state	-	-	-	-
Government appropriation - local	-	-	-	-
Government grants - federal	9,295,451	8,524,103	8,952,694	428,591
Government grants - state	4,178,361	3,688,348	4,305,531	617,183
Contracts - local	-	-	-	-
Private grants/contracts	1,607,489	2,212,076	1,678,661	(533,415)
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	-	-	-	-
Other sources	-	-	-	-
<b>Total revenues</b>	<u>15,081,301</u>	<u>14,424,527</u>	<u>14,936,886</u>	<u>512,359</u>
Cash balance budgeted	-	-	-	-
<b>Total revenues and cash balance budgeted</b>	<u>15,081,301</u>	<u>14,424,527</u>	<u>14,936,886</u>	<u>512,359</u>
<b>Expenditures</b>				
Instruction and general	803,000	671,159	607,290	(63,869)
Student social and cultural	45,646	119,282	120,184	902
Research	2,325,215	1,348,508	1,975,870	627,362
Public service	6,926,820	6,793,706	7,288,452	494,746
Internal service departments	21,722	26,763	15,828	(10,935)
Student aid	4,918,669	5,409,228	4,853,574	(555,654)
Auxiliary enterprises	27,308	33,129	41,186	8,057
Intercollegiate athletics	12,921	22,752	34,502	11,750
Independent operations	-	-	-	-
Capital outlay	-	-	-	-
Renewal and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
<b>Total expenditures</b>	<u>15,081,301</u>	<u>14,424,527</u>	<u>14,936,886</u>	<u>512,359</u>
<b>Change in net assets-budgetary basis</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

RESTRICTED CURRENT FUNDS  
SUMMARY OF INSTRUCTION AND GENERAL  
REVENUES AND EXPENDITURES  
BUDGET COMPARISONS  
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues				
Tuition	\$ -	\$ -	\$ -	\$ -
Miscellaneous fees	-	-	-	-
Government appropriation - federal	-	-	-	-
Government appropriation - state	-	-	-	-
Government appropriation - local	-	-	-	-
Government grants - federal	387,777	397,847	400,780	2,933
Government grants - state	385,558	263,829	192,135	(71,694)
Contracts - local	--	-	-	-
Private grants/contracts	29,665	9,483	14,375	4,892
Endowments	-	-	-	-
Land and permanent fund	-	-	-	-
Private gifts	-	-	-	-
Sales & service	-	-	-	-
Other sources	-	-	-	-
<b>Total revenues</b>	<u>803,000</u>	<u>671,159</u>	<u>607,290</u>	<u>(63,869)</u>
Cash balance budgeted	-	-	-	-
<b>Total revenues and cash balance budgeted</b>	<u>803,000</u>	<u>671,159</u>	<u>607,290</u>	<u>(63,869)</u>
Expenditures				
Instruction	619,259	485,253	430,733	(54,520)
Academic support	27,620	30,445	32,169	1,724
Student services	108,699	120,970	110,748	(10,222)
Institutional support	28,716	20,096	23,261	3,165
Oper. & maint. of plant	<u>18,706</u>	<u>14,395</u>	<u>10,379</u>	<u>(4,016)</u>
<b>Total expenditures</b>	<u>803,000</u>	<u>671,159</u>	<u>607,290</u>	<u>(63,869)</u>
Change in net assets-budgetary basis	<u>\$ =</u>	<u>\$ =</u>	<u>\$ =</u>	<u>\$ =</u>

SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS  
Year Ended June 30, 2008

	Pledged Collateral		Bank of	Wells Fargo	Bank of	State	Total
	Safekeeping Location	Type of Security	Las Vegas, NM	Albuquerque NM	Albuquerque	Treasurer Santa Fe, NM	
Funds on deposit							
Demand deposits			\$ 1,021,935	\$ 687,115	\$ 1,342,528	\$ 42,140,947	\$ 45,192,525
FDIC insurance							
Demand deposits			<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>(300,000)</u>
Total uninsured public funds			\$ <u>921,935</u>	\$ <u>587,115</u>	\$ <u>1,242,528</u>	\$ <u>42,140,947</u>	\$ <u>44,892,525</u>
Fifty percent collateral requirement per section 6-10-17 NMSA			\$ 460,968	\$ 293,558	\$ 621,264	N/A (See Note 2)	\$ 1,375,789
Pledged collateral held by the pledging banks trusts departments in NMHU name	Bank Deposit Guaranty Bond Kansas Bankers Surety Company	Bond # DG 3989 NM010 Bond # DG 3989 NM011	550,000 1,200,000	- -	- -	- -	550,000 1,200,000
	Federal Reserve Bank	Treasury Notes					
		CUSIP #31371MNG8	-	351,061	-	-	351,061
		CUSIP #31385HXE7	-	193,152	-	-	193,152
		CUSIP #31407HTY2	-	153,288	-	-	153,288
		CUSIP #31407HZH2	-	185,610	-	-	185,610
		CUSIP #31408BVE5	-	3,572,267	-	-	3,572,267
		CUSIP #31408HCE3	-	1,551,078	-	-	1,551,078
		CUSIP #31410DQA1	-	15,737,068	-	-	15,737,068
		CUSIP #36202DPR6	-	249,087	-	-	249,087
		CUSIP #36202DT76	-	117,149	-	-	117,149
	Treasury Bill	Fd#0052	-	-	1,342,528	-	1,342,528
			<u>1,750,000</u>	<u>22,109,760</u>	<u>1,342,528</u>	<u>-</u>	<u>25,202,288</u>
Deficiency / (Excess) of pledged collateral over the required amount			\$ <u>(1,289,033)</u>	\$ <u>(21,816,202)</u>	\$ <u>(721,264)</u>	<u>N/A</u>	\$ <u>(23,826,498)</u>
Uninsured and uncollateralized			\$ -	\$ -	\$ -	\$ -	\$ -

SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS (CONTINUED)  
 Year Ended June 30, 2008

<u>Name of Bank</u>	<u>Account Type</u>	<u>Balance Per Bank Statement</u>	<u>Reconciled Balance Per Books</u>
<b>Bank of Las Vegas</b>			
Account payable account	Checking	\$ 613,341	\$ (853,033)
Payroll account	Checking	94,090	5,413
University wire-transfer account	Checking	70,111	70,111
Cash receipts account	Checking	162,462	175,439
Cashier's credit card account	Checking	72,607	75,070
Direct lending account	Checking	<u>9,324</u>	<u>9,324</u>
<b>Total</b>		1,021,935	(517,676)
<b>Wells Fargo Bank - Albuquerque</b>			
Rio Rancho business	Checking	4,772	5,743
Rio credit card	Checking	10,458	10,458
Savings account	Checking	9,712	9,712
NMHU business	Checking	582,930	582,930
Online payments	Checking	37,922	42,182
Farmington	Checking	<u>41,321</u>	<u>42,150</u>
<b>Total</b>		687,115	693,175
<b>Bank of Albuquerque</b>			
NMFA/NMHU	Reserve	1,342,528	1,342,528
<b>State Treasurer's Office</b>			
Local government investments	Pooled	4,529,947	4,529,947
Local government investments	Pooled	<u>37,611,000</u>	<u>37,611,000</u>
		42,140,947	42,140,947
<b>Cashier's cash</b>			
		<u>—</u>	<u>15,251</u>
<b>Total cash and cash equivalents</b>		<u>45,192,525</u>	<u>43,674,225</u>
<b>University Investments:</b>			
State investment council	Pooled	2,273,529	2,273,529
State investment council (land grant)	Pooled	<u>2,983,161</u>	<u>2,983,161</u>
<b>Total investments</b>		<u>\$ 5,256,690</u>	<u>\$ 5,256,690</u>



**Foundation Investment:**

<u>Portfolio Description</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>
<b>Cash and Money Market Funds</b>		<u>\$ 433,923</u>	
<b>Stocks</b>			
Common Stocks		<u>2,751,082</u>	
<b>US Government Securities</b>			
US Treasury	1/15/2010	61,135	3.63%
US Treasury	2/28/2011	33,360	4.50%
US Treasury	8/15/2011	15,927	5.00%
US Treasury	11/15/2012	50,646	4.00%
US Treasury	2/15/2016	<u>25,246</u>	4.50%
<b>Total Government Securities</b>		<u>186,314</u>	
<b>U.S. Agency</b>			
Fed Home Loan	1/15/2010	15,033	3.63%
Federal Home loan	7/15/2012	39,710	5.13%
Federal Home loan	7/15/2013	40,612	4.50%
Federal Natl Mtg Assn	5/15/2010	35,613	4.13%
Federal Natl Mtg Assn	10/15/2014	<u>35,591</u>	4.63%
<b>Total U.S. Agency</b>		<u>166,559</u>	
<b>International Bonds</b>			
Schlumberger LTD	6/6/2010	5,398	2.13%
Teva Pharmaceutical	2/1/2024	4,890	0.50%
Amdocs LTD	3/15/2024	4,900	1.00%
Teva Pharmaceutical	2/1/2026	<u>4,445</u>	1.75%
<b>Total International Bonds</b>		<u>\$ 19,633</u>	



Year Ended June 30, 2008

Foundation Investment (Continued):

<u>Portfolio Description</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Interest</u>	<u>Rate</u>
<b>Corporate Bonds</b>				
Goldman Sachs INC-US	5/15/2009	\$ 20,387		6.65%
Citigroup	7/29/2009	29,828		4.25%
Dupont	10/15/2009	23,973		6.88%
Dupont	4/30/2010	2,020		4.13%
Target	8/15/2010	16,061		7.50%
Walmart	8/15/2010	20,519		4.75%
International Lease	9/1/2010	24,127		4.88%
Cisco Systems	2/22/2011	30,888		5.25%
Merrill Lunch	7/25/2011	24,922		5.77%
BellSouth Corp	10/15/2011	25,749		6.00%
Household Finance	10/15/2011	25,569		6.38%
Bank of America	9/15/2012	34,373		4.88%
IBM Corp	11/29/2012	25,346		4.75%
General Electric	5/1/2013	24,505		4.80%
Wachovia Corp	8/1/2014	27,933		5.25%
JP Morgan Chase	5/1/2015	19,393		5.25%
Abbott Laboratories	11/30/2017	15,130		5.60%
UPS	1/15/2018	10,158		5.50%
Sysco Corp	12/1/2011	14,936		5.25%
St. Jude Medl Inc	12/15/2008	5,940		1.22%
Medtronic Inc	4/15/2011	9,563		1.50%
EMC Corp	12/1/2011	7,971		1.75%
Sumantec Corp	6/15/2013	6,923		1.00%
Molson Coors Brewing Co	7/30/2013	9,730		2.50%
Archer Daniels	2/15/2014	7,044		0.88%
Alza Corp	7/28/2020	2,685		0.00%
Danaher Corp	1/22/2021	5,681		0.00%
TJX Companies Inc	2/13/2021	5,269		0.00%
Carnival Corp	4/15/2021	5,094		2.00%
Nabors Inds Inc	6/15/2013	8,829		0.00%
Genzyme Corp	12/1/2023	6,638		1.25%
Fisher Scientific Intl	3/1/2024	6,050		3.25%
Allergan Inc Global	4/1/2026	6,323		1.50%
Cooper Cameron Intl	6/15/2026	10,118		2.50%
Health Care Reit Inc	7/15/2027	7,350		4.75%
Lockheed Martin	8/15/2033	8,159		4.62%
Avnet Inc	3/15/2034	6,203		2.00%
Intel Corp	12/15/2035	9,738		2.95%
Prudential Financial	12/12/2036	4,870		0.39%
Bechman Coulter Inc	12/15/2036	6,638		2.50%
Prologis Reverse	11/15/2037	8,650		1.88%
Transocean Inc	12/15/2037	10,103		1.63%
Ominicom Group	7/1/2038	<u>9,361</u>		<u>0.00%</u>
Total Corporate Bonds		<u>590,747</u>		3.34%
<b>Total Foundation Investments</b>		<b><u>\$ 4,148,258</u></b>		

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2008

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Sub Award #</u>	<u>Expenditures</u>
National Institute of Health Research and Development Cluster			
NIH/RIMI Mod I 10/04-9/05	93.307		\$ 230,610
NIH/RIMI Mod II 10/04-9/05	93.307		69,635
NIH/RIMI Mod III 10/04-9/05	93.307		116,661
NIH/RIMI Mod IV 10/04-9/05	93.307		102,592
NIH/RIMI Mod V 10/04-9/05	93.307		67,878
NIH/RIMI Mod VI 10/04-9/05	93.307		129,553
RIMI-Isotopes	93.307		<u>348,814</u>
Total National Institute of Health			1,065,743
National Science Foundation			
NSF- MRI Acquisition 9/04-8/07	47.049		36,478
International Research & Planning Visit	47.079		19,461
Passed through University of Washington			
NSF/UW-Structural Study	47.049	450063	<u>27,953</u>
Total National Science Foundation			83,892
Passed through New Mexico State University			
INBRE-Cell Biology Fac.	93.389	Q01092	93,688
INBRE/Gifford	93.389	Q01234	8,820
INBRE/Linder	93.389	Q01234	18,512
INBRE/Sammeth	93.389	Q01234	3,666
INBRE/Linder	93.389	Q01092	105,531
INBRE/Sammeth	93.389	Q01092	24,668
Passed through Arizona State University			
WAESO Spring 2007	47.076	KM20019-7-42	3,536
WAESO Summer 2007	47.076	KMS0019-7-43/SUB	830
WAESO Spring 2008	47.076	KMS0019-7-44/SUB	2,010
Passed through University of New Mexico			
NM Epscor RII 4/05-3/06	47.076	3-21301-7850	70,414
Passed through Alabama Agricultural and Mechanical University			
AAMU Research Institute 12/05-7/06	12.431	W911NF-05-1-04565-SUB 1	<u>21,131</u>
Total Research and Development Cluster			<u>\$ 1,502,441</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
 Year Ended June 30, 2008

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Sub Award #</u>	<u>Expenditures</u>
US Department of Education Student Financial Aid Cluster			
Fed W/S - Instruction	84.033		117,859
Fed W/S - Academic Support	84.033		21,802
Fed W/S Student Services	84.033		79,393
Fed W/S - Institutional Support	84.033		5,728
Fed W/S - Operation & Maint.	84.033		7,222
Fed W/S - Social & Cultural	84.033		55,248
Fed W/S - Public Service	84.033		12,255
Fed W/S - Internal Service	84.033		8,899
Fed W/S - Auxiliaries	84.033		32,331
Fed W/S - Athletics	84.033		34,502
Fed W/S America Reads/America Count	84.033		5,610
Federal PELL 1999-2000	84.063		3,088,073
Federal SEOG 1999 - 2000	84.007		186,329
ACG	84.375		44,525
SMART	84.376		<u>27,654</u>
<b>Total Student Financial Aid Cluster - US Department of Education</b>			<b><u>3,727,430</u></b>
US Department of Education TRIO Programs Cluster			
Upward Bound 6/03 - 5/04	84.047A		155,600
Upward Bound	84.047A		324,199
Support Services 9/05-8/09	84.042A		<u>584,031</u>
<b>Total TRIO Programs Cluster - US Department of Education</b>			<b><u>\$1,063,830</u></b>



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
 Year Ended June 30, 2008

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Sub Award #</u>	<u>Expenditures</u>
US Department of Education			
Minority Science Engr 10/04-9/05	84.120A		\$ 134,186
US Dept Ed/CESDP/Gear up 9/05-8/11	84.334A		727,353
Dept Ed Rehab Counseling 8/04-7/05	84.129B		131,566
San Miguel GEAR-UP 9/03-9/04	84.334A		6,492
NMHU/RNNM Gear Up Program	84.334A		696,591
CESDP/Career Ladder Yr 5 9/05-8/06	84.195E		30,716
National Professional Development Program/CESDP	84.195N		183,393
Passed through New Mexico Public Education Department			
NMSDE-AP Fee Program	84.330B	07 924 P527 0124	82,041
Passed through Northern New Mexico Community College			
EOS/NNM/Title V 10/06-9/07	84.031S	P031S060059 Sub # 411544201122	280,226
Passed through Southwest Educational Development Laboratory			
CESDP/SEDL/TXCC 12/05 - 06/06	84.283B	S283B050020 Sub # PO NO. 53628	103,709
CESDP/SEDL/SECC 12/05 - 06/06	84.283B	S283B050033 Sub # PO NO. 53630	<u>103,406</u>
<b>Total US Department of Education</b>			<u>2,479,679</u>
DOC/PTFP/NMHU 10/05-3/07	11.550		
<b>Total US Department of Commerce</b>			<u>7,940</u>
DHHS/TCEG/SAMHSA	93.243		360,500
Passed Through NM Department of Children Youth and Families			
CYFD SW 7/06-6/07	93.658	JPA 08-690-5179	1,655,808
Passed through University of New Mexico			
PhD/Bridges Program 01-02	93.96	3R027/5544	<u>26,873</u>
<b>Total US Department of Human Services</b>			2,043,181
EPA\MBT Solid Waste 10/06-9/08	66.202		
<b>Total US Department of Environmental Protection Agency</b>			<u>183,505</u>
Passed through Cooperative State Research, Education and Extension Service			
USDA/SASE 7/06-7/09	10.223	2006-38422-17110	81,641
USDA/SASE Scholarship	10.223	2006-38422-17110	<u>6,667</u>
<b>Total US Department of Agriculture</b>			<u>88,308</u>
<b>Total Federal Awards expended</b>			<u>\$ 11,096,314</u>

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2008

### NOTE 1. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

The federal financial assistance of the University is included in the scope of the Single Audit, which was performed in accordance with the provisions of the Office of Management and Budget's Circular A-133, Compliance Supplement for Audits of Institutions of Higher Learning and Other Not-for-Profit Institutions (Compliance Supplement). Compliance testing of all specific requirements was performed, as described in the Compliance Supplement (April 2004).

### NOTE 2. FISCAL PERIOD AUDITED

Single Audit testing procedures were performed for program transactions occurring during fiscal year ended June 30, 2008.

### NOTE 3. 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 2008 or accrued revenue at June 30, 2008. This schedule has been prepared on the accrual basis of accounting. Revenues are recorded for financial reporting purposes when the Institute has met the qualifications for the respective program.

### 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.

### NOTE 5. STUDENT FINANCIAL ASSISTANCE

The University administers the Perkins Loan Program. Total outstanding loans under this US Department of Education program at June 30, 2008, were \$1,152,812. Total loan expenditures and disbursements, including administrative expenses, for the fiscal year ended June 30, 2008, were \$276,024. The schedule of Federal Expenditures of Federal Awards only includes an amount, which represents administrative costs and additional advances for the year ended June 30, 2008. During the fiscal year ended June 30, 2008, the University processed \$10,480,426 of new loans under the Stafford Loan Program and Parents' Loans for Undergraduate Students.

### NOTE 6. OTHER DISCLOSURES

The University did not receive any non-cash assistance; there was no insurance in effect during the year and no federal loan guarantees outstanding at year-end.





**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***

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Board of Regents  
New Mexico Highlands University  
Las Vegas, New Mexico

We have audited the financial statements of the business-type activities and discretely presented component unit of the State of New Mexico, New Mexico Highlands University (the "University") and the University's budget comparisons as of and for the year ended June 30, 2008, and have issued our report thereon dated October 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs, 03-17, to be a significant deficiency in internal control over financial reporting

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards* January 2007 revision paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 06-03, 07-01, 08-01 and 08-03.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, the State Auditor, the New Mexico Legislature and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kardas, Abeyta & Weiner, P.C.*

October 22, 2008



## **Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133**

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Board Of Regents  
New Mexico Highlands University  
Las Vegas, New Mexico

### **Compliance**

We have audited the compliance of the State of New Mexico, New Mexico Highlands University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 08-02.

### **Internal Control Over Compliance**

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirement of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined below.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-02 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The University's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, New Mexico State Auditor, New Mexico State Legislature and its committees, New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kardas, Abeyta & Weiner, P.C.*

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Year Ended June 30, 2008

<u>Finding</u>	<u>Status</u>
03-17 Budget Overspending	Repeated and Updated
06-03 Inventory	Repeated and Updated
06-07 Student Support Services	Resolved
07-01 Student Support Services Disbursement	Repeated and Updated
07-02 Research and Development Disbursement	Resolved
07-03 Inventory	Resolved
07-04 Upward Bound	Resolved

SUMMARY OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(s) indentified?	No
• Significant deficiencies indentified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(s) indentified?	No
• Significant deficiencies indentified not considered to be material weakness(es)?	Yes
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Cluster	Student Financial Assistance
Cluster	TRIO Cluster
84.334A	US Dept ED/CEDSP/GEAR UP
84.334A	NMHU/RNNM Gear UP Program
84.120A	Minority Science Engr
84.195N	National Professional Development Program/CESDP
Dollar threshold used to distinguish between type A and type B programs:	\$332,889
Auditee qualified as low-risk auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008

**Section II – Financial Statement Findings**

**03-17 - Budget Overspending**

**CONDITION**

We noted that the University overspent its approved budget in unrestricted funds in the following categories:

Instruction and general	\$ 852,609
Internal service departments	\$ 38,864
Auxiliary enterprises	\$ 81,054
Intercollegiate athletics	\$ 285,480
Retirement of indebtedness	\$1,061,679

We noted that the University overspent its approved budget in restricted funds in the following categories:

Student social and cultural	\$ 902
Research	\$ 627,362
Public service	\$ 494,746
Auxiliary enterprises	\$ 8,057
Intercollegiate athletics	\$ 11,750

**CRITERIA**

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

**CAUSE**

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

**EFFECT**

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

**RECOMMENDATION**

University budget controls and processes should be strengthened to ensure that budgeted amounts are never overspent by any amount and budget adjustment requests are completed.

**MANAGEMENT RESPONSE**

The university acknowledges this finding. The budget process has historically been challenged by timing differences due to a May 1 budget submission date. Union negotiated salary increases were not known until negotiations were completed at year end. However the University knew it was adequately funded. With regards to the retirement of indebtedness overrun the University made a determination that it was in its best interest to retire debt early. The restricted funds were under budgeted due to unforeseen grants that the university received. Athletics was overspent due to the fact it was funded from two different sources and only one amount was used to amount for expenditures, an amount classification error. The University is currently developing a university wide initiative to implement better forecasting and planning procedures.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

### Section III - Federal Awards Findings

08-02 – Level of Effort

Questioned Costs

CFDA Number(s) – 84.334A, 84.195N

N/A

Program Name(s) – US Dept Ed/CESDP/Gear Up

– National Professional Development Program/CESDP

Compliance Requirement - Level of Effort

#### ***CONDITION***

During our review of level of effort requirements cited in grant documentation we noted that documentation supporting level of effort for unrestricted funds was missing or incomplete. The grant agreements require an individual at the University to contribute 10% of his time to the above programs. The following table represents the University's' level of effort requirements:

<u>Program</u>	<u>Level of effort required</u>
US Dept Ed/CESDP/Gear Up	\$13,466
National Professional Development Program/CESDP	\$13,466

Per discussion with University personnel we determined that there could be at least another 4 instances where the level of effort requirement was not documented.

#### ***CRITERIA***

Many grants require participation by the grantee organization in the form of occupancy and oversight over and above what is provided for by direct expenditures approved in the grant. Most of the participation is not a direct expenditure but rather in the form of providing services or time.

#### ***CAUSE***

The University complied with these requirements during the prior year audit, however due to a reorganization, level of effort related to unrestricted funds were not always identified and subsequently documented by the individuals assigned. A new individual was assigned the task to compile the level-of-effort documentation for the current audit and due to a lack in communication between personnel these instances of non-compliance took place.

#### ***EFFECT***

Failure to properly document level of effort requirements could result in the grantor agency requesting that a portion of the grant be returned or not renewing the grant in future years.

#### ***RECOMMENDATION***

Personnel responsible for the administration of the grant need to ensure that all documentation regarding level of effort is complete and available. Communication between personnel would ensure that all the required documentation is obtained.

#### ***MANAGEMENT RESPONSE***

Implementation of the grant module will ensure that all level of effort documentation is completed and available. Furthermore, the University will expand its communication with both the pre award and post award staff.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

### Section IV – Other Matters as required by New Mexico State Statute 12-6-5, NMSA 1978

#### 06-03 - Inventory

##### *CONDITION*

During our testing of year end inventory we found five instances of non-compliance (one-hundred-and-twenty tested). Three instances of non-compliance occurred at the Central Store (forty tested) and two instances of non-compliance occurred at the Bookstore (forty tested).

##### *CRITERIA*

An inventory count should be done with procedures in place to ensure a reliable count of the inventory items of the institution. Written procedures should indicate the responsibilities of each individual and the procedures to be followed during the inventory count.

##### *CAUSE*

The personnel charged with performing the inventory counts did not make accurate counts.

##### *EFFECT*

Miscount of inventory could lead to misstatement of inventory on the financial statements.

##### *RECOMMENDATION*

For the inventory taking process we would recommend that two individuals perform a separate count on each item. This would ensure a more reliable count since the count will be confirmed by a second individual.

##### *MANAGEMENT RESPONSE*

The University concurs with this finding. In addition to mandating two separate counts performed by two separate individuals to ensure a more reliable count, the University's business manager at facilities will reconcile both counts; adjustments will be made if consider cost effective.

#### 07-01 – Student Support Services Disbursement

##### *CONDITION*

During our testing of the Student Support Services disbursements we found one purchase request for fourteen thousand three hundred and eighty eight dollars (twenty tested) for computer hardware that was not signed by the Vice-President for Finance and Administration or ITS.

##### *CRITERIA*

The purchase request was for the purchase of computers and New Mexico Highlands University procurement policy (Purchasing and Accounts Payable Manual - policy #9) states that the Vice President for Finance and Administration's signature as well as a signature from ITS is required when hardware is bought.

##### *CAUSE*

Due to clerical errors the documents were not checked for signature approvals.

##### *EFFECT*

The University was not in compliance with procurement policies and procedures.

##### *RECOMMENDATION*

Personnel responsible for the completion of controls as well as the initial purchase request form should thoroughly review documentation to ensure that they comply with all policies and procedures.

##### *MANAGEMENT RESPONSE*

The University concurs with the audit finding. The University is currently reviewing and revising its system's documentation requirements and authorizations.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

### 08-01 – Foundation Political Contributions

#### **CONDITION**

NMHU Foundation violated federal law by making a contribution to political candidate.

#### **CRITERIA**

Revenue ruling 2007-41, according to the internal revenue code, prohibits 501(3)(c) organizations from making contributions to any political party or candidate.

#### **CAUSE**

NMHU Foundation made a contribution to a political candidate that was deposited into a campaign fund (in the amount of \$250) and reported in accordance with federal guidelines.

#### **EFFECT**

Violation of federal law regarding political contributions will result in a maximum penalty of equal to the amount of the contribution unless the contribution is corrected at which point the penalty is equal to 10% of the contribution. Potential loss of the Foundations' 501(3)(c) status could occur.

#### **RECOMMENDATION**

Ensure that procedures are in place to prevent expenditures from being made to a political party or candidate.

#### **MANAGEMENT RESPONSE**

The University concurs with the audit finding. The University requested and received the return of the \$250 contribution. It also implemented policies to prevent such occurrences in the future.

### 08-03 – Payment of Gross Receipts Tax on Tangible Property

#### **CONDITION**

During our testing of the Student Support Services disbursements we found one item (twenty tested) for which an employee was reimbursed for tax paid on tangible property (total gross receipts tax amounted to \$6.28). During our testing of the National Professional Development Program/ CESDP disbursements we found one item (ten tested) for which an employee was reimbursed for tax paid on tangible property (total gross receipts tax amounted to \$4.50).

#### **CRITERIA**

The purchase request for Student Support Services was for reimbursement on items bought by an employee. The purchase request for National Professional Development Program/ CESDP was for the purchase of items for the program. New Mexico Highlands University procurement policy (Purchasing and Accounts Payable Manual - policy #15) states that NMHU will not pay for or reimburse for tax paid on tangible personal property.

#### **CAUSE**

Due to clerical errors the documents were not checked for gross receipts tax.

#### **EFFECT**

The University was not in compliance with procurement policies and procedures.

#### **RECOMMENDATION**

Personnel responsible for the completion of controls as well as invoice approval should thoroughly review documentation to ensure that they comply with all policies and procedures.

#### **MANAGEMENT RESPONSE**

The University concurs with this audit finding. The University's Accounts Payable staff will thoroughly review documentation to ensure that gross receipts will not be paid on tangible property, and that they comply with all policies and procedures.

## EXIT CONFERENCE

June 30, 2008

Exit conference was held on November 10, 2008, with the following in attendance:

### University:

Mr. Leveo Sanchez, Board of Regents Member  
Dr. James Fries, President  
Dr. William Taylor, Vice President for Finance and Administrative Services  
Mr. Lawrence Trujillo, Associate Vice President for Finance and Administrative Services  
Dr. Joe McCaffrey, Interim Vice President for Advancement  
Mr. Nesbitt Hagood, Controller, CPA  
Ms. Eileen Bentley, Budget Director  
Ms. Gayle Martinez, Restricted Funds Supervisor

### Foundation:

Ms. Darlene Chavez, Finance Officer

### Auditors

Mr. Gerald Kardas, CPA, Kardas, Abeyta & Weiner, P.C.  
Mr. Divan Coetzee, CPA, Kardas, Abeyta & Weiner, P.C.

