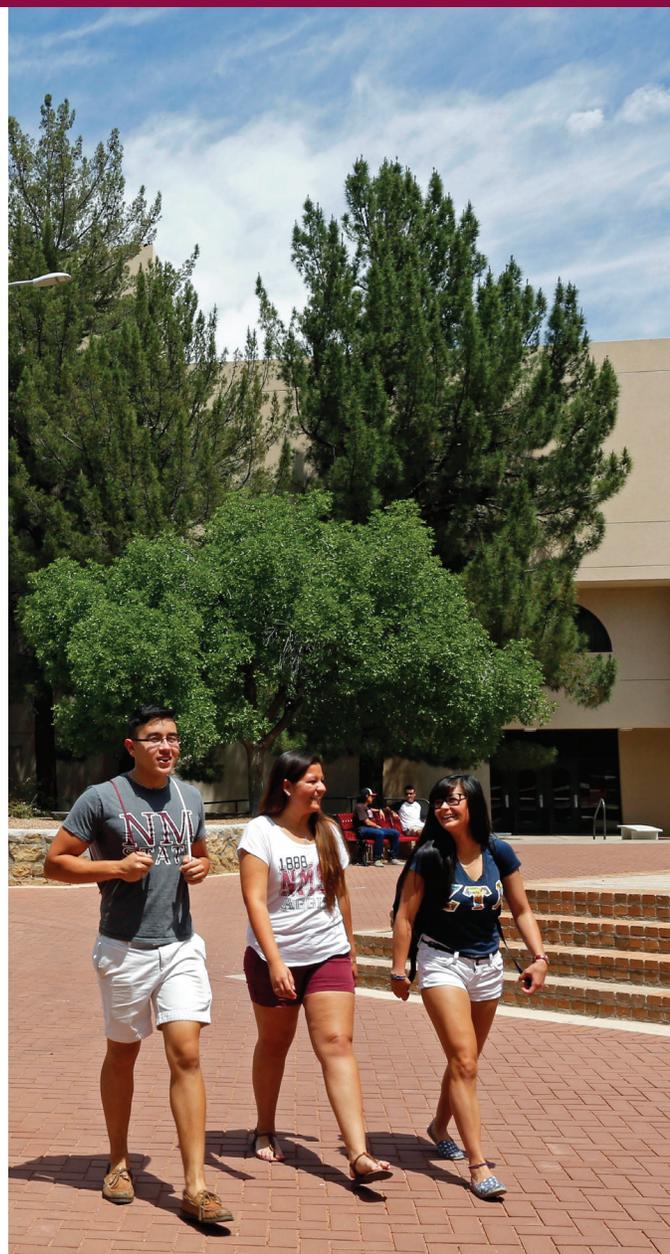


Financial Statements and Schedules

KRWG TV



2015

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NEW MEXICO STATE UNIVERSITY

New Mexico State University
KRWG-TV
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June 30, 2015

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KPMG LLP
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Independent Auditors' Report

The Board of Regents
New Mexico State University:

We have audited the accompanying financial statements of New Mexico State University KRWG-TV (the Station), a department of New Mexico State University, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Mexico State University KRWG-TV, a department of New Mexico State University, as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matters

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, effective July 1, 2014, the Station adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Departmental Financial Statements

As discussed in Note 1, the financial statements of New Mexico State University KRWG-TV, a department of New Mexico State University, are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities of New Mexico State University that is attributable to the transactions of New Mexico State University KRWG-TV. They do not purport to, and do not, present fairly the financial position of New Mexico State University as of June 30, 2015, the changes in its financial position, or its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Restatement of Net Position

As part of our audit of the 2015 financial statements, we also audited the adjustments described in Note 2 that were applied to restate net position as of June 30, 2014. The Station's previously issued financial statements were audited by other auditors. In our opinion, such adjustments are appropriate and have been properly applied.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedule of the Station's proportionate share of net pension liability and schedule of the Station's contributions on pages 4-6 and 21, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Albuquerque, New Mexico
February 12, 2016

New Mexico State University KRWG-TV

Management's Discussion and Analysis For the Year Ended June 30, 2015 (Unaudited)

This discussion and analysis of KRWG-TV (the Station) and its financial performance provides an overview of the Station's financial activities for the fiscal year ended June 30, 2015.

Using This Annual Report

This annual report contains the following financial statements: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. KRWG-TV's address is: KRWG-TV, MSC TV 22, P.O. Box 30001, Las Cruces, NM 88003.

Financial Highlights

- The Station's net position increased by \$18,744 for fiscal year 2015. This was primarily due to increased revenue which is explained in more detail below.
- The Station's operating expenses increased by \$72,334 in fiscal year 2015. This increase was due to multiple factors. In fiscal year 2015, KRWG-TV had a merit wage increase of 1.5%. In addition, the Station purchased a microwave link to improve service to Silver City. Expenses related to the microwave link fall below the capitalization threshold. These expenses were offset with increased revenues in the form of a grant for the microwave link as well an increase in membership pledges and state appropriations, which is reflected in the increase in net position.

New Mexico State University KRWG-TV

Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

Reporting on KRWG-TV's Activities

Financial Highlights

KRWG-TV's condensed financial information as of, and for the years ended June 30, 2015 and 2014 are provided in the following table:

	2015	2014
Current assets	\$ 1,423,236	\$ 1,580,394
Other assets	544,863	364,850
Deferred outflow of resources	<u>103,791</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 2,071,890</u>	<u>\$ 1,945,244</u>
Current liabilities	912,804	937,749
Non-current liabilities	1,483,566	90,618
Deferred inflows of resources	144,078	-
Net investment in capital assets	442,080	364,850
Restricted for non-expendable endowments	102,783	99,252
Restricted for expendable endowments	3,543	3,382
Unrestricted	<u>(1,016,964)</u>	<u>449,393</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,071,890</u>	<u>\$ 1,945,244</u>
Operating revenues	\$ 747,904	\$ 837,983
Operating expenses	<u>2,468,334</u>	<u>2,395,603</u>
Operating loss	(1,720,430)	(1,557,620)
Non-operating revenue	1,532,633	1,538,503
Other revenue	<u>206,541</u>	<u>50</u>
Change in net position	18,744	(19,067)
Net position, beginning of year, as restated	<u>(487,302)</u>	<u>935,944</u>
Net position, end of year	<u>\$ (468,558)</u>	<u>\$ 916,877</u>

Note: Net position for 2014 has been adjusted to recognize the correction of errors, but does not include adjustment related to new accounting standard.

New Mexico State University KRWG-TV

Management's Discussion and Analysis
For the Year Ended June 30, 2015
(Unaudited)

Overview of the Financial Statements

In FY15, the Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* was implemented and resulted in the recognition of a pension liability equal to the KRWG-TV portion of the University's net pension liability. The net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension plan are reflected in the financial statements for the first time. As expected, the recognition of this liability results in KRWG-TV net position being significantly reduced from what was reported in prior years.

The Statement of Net Position of KRWG-TV provides information about KRWG-TV's overall financial status. The Statement of Revenues, Expenses, and Change in Net Position provides information about the operating revenues and operating expenses and the non-operating revenues and non-operating expenses of KRWG-TV. The Statement of Cash Flows provides information about the sources and uses of cash.

Statement of Net Position

Assets – In 2015 and 2014 the majority of the assets were in the form of cash and investments, \$1,515,509 and \$1,548,246 respectively. Assets are held by KRWG-FM's fiscal agent, New Mexico State University. The University participates in a Common Endowment Pool (Pool) managed by the New Mexico State University Foundation (the Foundation) on behalf of the University.

Capital Assets – In 2015 and 2014, capital assets were \$442,080 and \$364,850, respectively. The decrease is due to depreciation expense of \$183,357 and additions of \$260,587.

Liabilities and Net Position – In 2015 and 2014 current liabilities were \$912,804 and \$937,749, respectively. The decrease is primarily due to the decrease in unearned revenue. In 2015 and 2014 non-current liabilities were \$1,483,566 and \$90,618, respectively. The increase is due to the effect of GASB 68.

Statement of Revenues, Expenses, and Changes in Net Position

Revenues – Operating revenue earned in 2015 and 2014 were derived from grants from the CPB and USDA Rural Utility Service, underwriting and sales. Non-operating revenue was derived from state appropriations, membership receipts and other gifts and revenue sources.

Expenses – Operating expenses incurred in 2015 and 2014 were derived from salaries and fringe benefits, supplies and services and depreciation expense of capital assets.

This financial report is designed to provide a general overview of KRWG-TV's finances for all those with an interest in KRWG-TV's finances.

New Mexico State University
KRWG-TV
Statement of Net Position
June 30, 2015

ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,093,388
Investments	319,338
Prepaid expenses	833
Accounts receivable	9,677
Total current assets	<u>1,423,236</u>
Non-current assets	
Restricted investments	102,783
Capital assets - equipment, net	442,080
Total non-current assets	<u>544,863</u>
TOTAL ASSETS	<u>1,968,099</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>103,791</u>
LIABILITIES	
Current liabilities	
Accounts payable	81,535
Unearned income	831,269
Total current liabilities	<u>912,804</u>
Non-current liabilities	
Compensated absences	121,785
Net pension liability	1,361,781
Total non-current liabilities	<u>1,483,566</u>
TOTAL LIABILITIES	<u>2,396,370</u>
DEFERRED INFLOWS OF RESOURCES	<u>144,078</u>
NET POSITION	
Invested in capital assets	442,080
Restricted for:	
Non-expendable:	
Endowments	102,783
Expendable:	
Endowments	3,543
Unrestricted	(1,016,964)
TOTAL NET POSITION	<u>\$ (468,558)</u>
See accompanying notes to financial statements.	

**New Mexico State University
KRWG-TV**

**Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015**

REVENUES	
Operating revenues	
Corporation for Public Broadcasting grants	\$ 695,646
Underwriting	30,437
Underwriting in-kind fees	7,081
Sales and services	14,740
Total operating revenues	<u>747,904</u>
EXPENSES	
Operating expenses	
Programming and production	287,773
Broadcasting and technical	314,183
Management and general	1,610,179
Program services	72,842
Depreciation expense	183,357
Total operating expenses	<u>2,468,334</u>
Operating loss	<u>(1,720,430)</u>
NON-OPERATING REVENUES	
Facilities and administrative support	222,583
State appropriations	1,097,000
Membership and other non-exchange gifts and grants	213,050
Total non-operating revenues	<u>1,532,633</u>
Loss before other revenues	(187,797)
Capital grants	206,391
Additions to permanent endowments	150
Increase in net position	18,744
NET POSITION	
Beginning of year, as restated (Note 2)	<u>(487,302)</u>
End of year	<u>\$ (468,558)</u>

See accompanying notes to financial statements.

New Mexico State University
KRWG-TV
Statement of Cash Flows
For the Year Ended June 30, 2015

Cash flows from operating activities	
Underwriting	\$ 104,715
Corporation for public broadcasting grants	684,176
Payments to suppliers	(883,202)
Payments for travel	(1,546)
Payments for employee and employee benefits	(1,152,987)
Receipts from sales and services	14,740
Net cash used in operating activities	<u>(1,234,104)</u>
Cash flows from non-capital financing activities	
State appropriations	1,097,000
Membership and other non-exchange gifts and grants	213,050
Private gifts for endowments	150
Net cash provided by non-capital financing activities	<u>1,310,200</u>
Cash flows from capital and related financing activities	
Capital grants	206,391
Purchases of equipment	(260,587)
Net cash used in capital and related financing activities	<u>(54,196)</u>
Cash flows from investing activities	
Proceeds from sales of investments	31,066
Interest on investments	3,543
Purchase of investments	(144,936)
Net cash used in investing financing activities	<u>(110,327)</u>
Net decrease in cash	(88,427)
Cash and cash equivalents-beginning of year	1,181,815
Cash and cash equivalents-end of year	<u>\$ 1,093,388</u>
Reconciliation of net operating loss to net cash used by operating activities	
Operating loss	\$ (1,720,430)
Adjustment to reconcile net loss to net cash used in operating activities:	
Depreciation expense	183,357
Facilities and administrative support	222,583
Change in assets and liabilities:	
Accounts receivable	77,108
Prepaid expenses	(833)
Accounts payable and other accrued liabilities	18,411
Unearned revenue	(14,300)
Net cash used in operating activities	<u>\$ (1,234,104)</u>
See accompanying notes to financial statements.	

New Mexico State University
KRWG-TV
Notes to Financial Statements
For the Year Ended June 30, 2015

Note 1: Organization and Nature of Operations, and Reporting Entity

New Mexico State University KRWG-TV (the Station) is an unincorporated public telecommunication entity, established in 1972, supported by the Corporation for Public Broadcasting (CPB) and is a department of New Mexico State University (the University) under a license issued by the Federal Communications Commission. These financial statements present only the transactions related to the funds of the Station and do not purport to include the transactions of the University or of the State of New Mexico, of which the University is an enterprise fund.

The Station's purpose is to provide public educational television to the community of Las Cruces, New Mexico, and the surrounding areas.

Operating revenues are primarily derived from community service grants from the CPB and underwriting activities.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation. The Station, being a department of the University, follows generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). The assets, liabilities and activity of the Station are included in the separately issued financial statements of the University.

Basis of Accounting. For financial reporting purposes, the Station's financial statements have been presented in a single column 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, non-exchange transactions are recognized when all applicable eligibility requirements have been met.

Statement of Net Position. Current assets consist of unrestricted assets, which are available for current operations or which will be available within one year and restricted assets that will be used in current operations. All other assets are reported as non-current assets. Current liabilities consist of those liabilities that are due within one year.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and current investments, which are defined as investments that are readily convertible to known amounts of cash or which have an original maturity date within ninety days. Cash of \$1,093,388 held by the University on behalf of the Station in a cash management pool at June 30, 2015.

The Station follows all University established cash management procedures. In accordance with State of New Mexico Statutes, the University requires a minimum of 50 percent collateralization of all uninsured funds deposited with a financial institution, with the exception of repurchase agreements, which require 102 percent collateralization. All collateral is held in third-party safekeeping in the name of the University.

New Mexico State University
KRWG-TV
Notes to Financial Statements
For the Year Ended June 30, 2015

Note 2: Summary of Significant Accounting Policies (continued)

Investments. The Station's investment balances are on deposit with its fiscal agent. The University serves as the fiscal agent for the Station through which the Station participates in a Common Endowment Pool (Pool) managed by the New Mexico State University Foundation (the Foundation) on behalf of the University. Marketable securities are reported at fair value based on quoted market prices, except for certain alternative investments for which quoted market prices are not available. The estimated fair value of these alternative investments is based on the most recent valuations provided by the external investment managers. The Station believes the carrying amount of these financial instruments is a reasonable estimate of the fair value. Investments managed by the Foundation on behalf of the Station which totaled \$422,121 at June 30, 2015. See Note 3 for further discussion of the relationship with the Foundation.

Accounts Receivable. Accounts receivable includes amounts due from underwriters that received the benefit of a non-air credit but had not paid a reciprocal amount of their pledge amount at the balance sheet date.

Facilities and Administrative Support. Donated facilities from the University consist of office and studio space together with related occupancy costs. Administrative support consists of allocated institutional support and operation and maintenance of plant costs incurred by the University on behalf of the Station. The Station recognizes the revenue from donated facilities and administrative support offset by an expense to management and general. Donated facilities and administrative support amounted to \$222,583 at June 30, 2015.

Underwriting In-kind Fees. For the fiscal year ended June 30, 2015 the Station received underwriting in-kind fees of \$7,081, none of which met the definition of non-federal financial support as outlined by the CPB. These are exchange-type transactions where the station is providing broadcasting spots in exchange for goods and services.

Capital Assets. Capital assets, equipment having a minimum value of \$5,000 or greater are recorded at cost or, if donated by an external source, at fair market value at the date of donation. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the assets. Two class lives are used: 6 years and 15 years.

Current Liabilities. Current liabilities include accounts payable for goods and services received at the balance sheet date but payment for such goods and services had not been made. Unearned revenues from underwriting activities are the result of pledges being received in advance of the on-air credits that will be broadcast in the coming fiscal year. Unearned revenue also includes grant amounts received and receivable in excess of the grant revenue recognized through June 30, 2015. The Station did not have any outstanding short-term or long-term debt at June 30, 2015.

New Mexico State University
KRWG-TV
Notes to Financial Statements
For the Year Ended June 30, 2015

Note 2: Summary of Significant Accounting Policies (continued)

Annual and Sick Leave. Regular full-time exempt and non-exempt employees earn annual leave at a rate of 22 working days per year and sick leave at a rate of 12 working days per year. The University policy allows employees to accumulate a maximum of 30 unused annual leave days. Unpaid annual leave for non-exempt individuals employed by the University for over six months and for exempt individuals is paid upon termination. Unpaid sick leave over 75 days is paid upon termination at one-half the employee's hourly rate, to a maximum of 25 days. Accrued leave is expensed as earned in the account that salary expense is charged.

Net Position. Net Position is displayed in the following categories:

Net Investment in Capital Assets represents the total capital assets net of accumulated depreciation used by the Station for operations.

Restricted Net Position, Expendable consist of expendable resources which the Station is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted Net Position, Non-Expendable consists of endowment and similar type assets for which donors or other 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.

Unrestricted Net Position consists of assets that do not meet the definition of "restricted" or "net investment in capital assets".

When an expense is incurred that can be paid using either restricted or unrestricted sources, the University's policy is to charge the expense to a restricted source and then to an unrestricted source.

Income Taxes. The income generated by the University as an instrumentality of the State of New Mexico is generally excluded from federal income taxes under section 115(a) of the Internal Revenue Code. However, the University is subject to taxation on income derived from business activities not substantially related to the University's exempt function (unrelated business income under Internal Revenue Code Section 511); such income is taxed at the normal corporate rate. Contributions to the University are deductible by donors as provided under Section 170 of the Internal Revenue Code.

Classification of Revenues.

Operating revenues include activities that have the characteristics of exchange transactions, such as grants from the CPB, underwriting pledges (reported as fundraising revenue) to the extent of broadcasted on-air credits, sales and services and donated goods and services.

New Mexico State University
KRWG-TV
Notes to Financial Statements
For the Year Ended June 30, 2015

Note 2: Summary of Significant Accounting Policies (continued)

All revenues not meeting this definition are reported as non-operating revenues. Additions to permanent endowments and capital grants are reported separately as other changes in net position.

Classification of Expenses.

Operating expenses include activities that have the characteristics of exchange transactions, such as salaries and fringe benefits, supplies and services and depreciation expense of capital assets.

Non-Operating expenses include activities that have characteristics of non-exchange transactions, such as the disposal of capital assets and other non-operating transactions.

Use of Estimates. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting.

Changes in Accounting Policies and Statements. Effective July 1, 2014, the University adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pensions. As a result of the implementation of GASB Statement 68, the Station restated net position as of July 1, 2014. This restatement was a decrease of \$1,404,179 to unrestricted net position as of July 1, 2014. The implementation of GASB Statement 68 also resulted in the recognition at June 30, 2015 of \$1,361,781 in net pension liability, \$103,791 in deferred outflows of resources, and \$144,078 in deferred inflows of resources, all of which had not been recognized prior to fiscal year 2015. The net pension liability represents the Station's proportionate share of the total net pension liability of the Educational Retirement Board (ERB) defined benefit plan based on an annual valuation performed on that plan (Note 4).

**New Mexico State University
KRWG-TV
Notes to Financial Statements
For the Year Ended June 30, 2015**

Note 2: Summary of Significant Accounting Policies (continued)

Restatement. Net position as of July 1, 2014 was restated as follows:

Net position at July 1, 2014, as previously reported	\$ 965,981
Adjustment:	
Adoption of new accounting standard	(1,404,179)
Correction of errors	(49,104)
Net position at July 1, 2014, as restated	<u>\$ (487,302)</u>

Adoption of New Accounting Standard

The July 1, 2014 net position was restated as a result of the adoption of GASB 68. This statement requires entities to record a net pension liability and other pension related amounts. The effect of the adoption of this new accounting standard resulted in an adjustment to decrease beginning net position by \$1,404,179.

Correction of Errors

During fiscal year 2015, management determined that certain errors existed in the Station's June 30, 2014 financial statements. The errors included improper recording of permanent endowment additions, certain errors in prior year accruals and deferrals, and improper revenue recognition.

In prior years, the Station did not properly recognize additions to endowment investments when received. This resulted in a cumulative understatement of endowment investments and net position totaling \$44,199 as of June 30, 2014.

In prior years, the Station did not accurately account for unearned revenue accruals. The unearned revenue account contained balances that were a result of improper reversal of prior period unearned revenue accruals. This resulted in a cumulative overstatement of unearned revenue and an understatement of net position totaling \$35,426 as of June 30, 2014.

In prior years, the Station did not accurately account for accounts receivable accruals. The accounts receivable account contained negative balances that were the result of improper reversal of prior period accounts receivable accruals. This resulted in a cumulative understatement of accounts receivable and net position totaling \$32,147 as of June 30, 2014.

In prior years, the Station did not accurately account for accounts payable accruals. The accounts payable account contained negative balances that were the result of improper reversal of prior period accounts payable accruals. This resulted in a cumulative understatement of accounts payable and overstatement of net position totaling \$9,356 as of June 30, 2014.

New Mexico State University
KRWG-TV
Notes to Financial Statements
For the Year Ended June 30, 2015

Note 2: Summary of Significant Accounting Policies (continued)

In prior years, the Station did not properly recognize revenue from annual gifts and underwriting fees. Revenues were recognized when expenses were incurred rather than when they were earned. This resulted in a cumulative understatement of related unearned revenue and overstatement of net position totaling \$151,520 as of June 30, 2014.

The effect of the correction of these errors on the 2014 change in net position is a decrease of \$26,303.

Note 3: Related Entity

The New Mexico State University Foundation, Inc. (the Foundation) is a non-profit corporation formed for the purpose of obtaining and disbursing funds for the sole benefit of the University, which includes the Station. During the fiscal year ended June 30, 2015, the Foundation received \$282,425 on behalf of the Station through various fund raising endeavors initiated and performed primarily by Station employees and volunteers. Such amounts are reported as underwriting, and membership and other non-exchange gifts in the accompanying Statement of Revenues, Expenses and Changes in Net Position. In addition, in 2015 the Foundation invested permanently restricted endowment funds totaling \$102,783 on behalf of the Station. Interest on endowment funds for fiscal year 2015 not available for expenditure totaled \$0.

Note 4: Retirement Program

Educational Retirement Act

Plan Description. Substantially all of the University's eligible employees, except those who participate in the Alternative Retirement Plan (ARP) described below, participate in a public employee retirement system authorized under the Educational Retirement Act (ERA) of the State of New Mexico (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the New Mexico Educational Employees' Retirement Plan (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 for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy. Member Contributions – Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to contribute 10.70% of their gross salary to the plan in fiscal year 2015 and thereafter.

Employer contributions – Beginning in fiscal year 2015, the University was required to contribute 13.90% of the gross covered salary for its employees. This rate will continue in fiscal year 2016 and beyond.

New Mexico State University
KRWG-TV
Notes to Financial Statements
For the Year Ended June 30, 2015

Note 4: Retirement Program (continued)

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 contribution to the ERB with regards to employees that provide services to the Station was \$98,296 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Station reported a liability of \$1,361,781 for its proportionate share of the University's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The Station's proportion of the net pension liability was based on a percentage of its contributions relative to employees that provide services to the Station in relation to the University's total contributions. At June 30, 2014, the Station's proportion was 0.3156567 percent, which was an increase of 0.00012 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the University with regards to the Station recognized a pension expense of \$96,185. At June 30, 2015, the University with regards to the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 20,286
Net difference between projected and actual earnings on pension plan investments		123,792
Changes in proportion and differences between Station contributions and proportionate share of contributions	\$ 5,495	
Station contributions subsequent to the measurement date	98,296	
Total	\$ 103,791	\$ 144,078

The \$98,296 reported as deferred outflows of resources related to pensions resulting from Station contributions subsequent to the measurement date of June 30, 2014 will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Note 4: Retirement Program (continued)

Year ended June 30	
2016	\$ 36,084
2017	\$ 36,084
2018	\$ 35,468
2019	\$ 30,947
	<u>\$ 138,583</u>

Actuarial assumptions: As described above, the total ERB pension and net pension liability are based on an actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. Specifically, the liabilities measured as of June 30, 2014 incorporate the following assumptions:

All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year June 30, 2014 and 10.7% thereafter.

Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.

COLAs for most retirees are reduced until ERB attains a 100% funded status.

These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period June 30, 2012.

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

Inflation	3.00%
Salary Increases	Composition; 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

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

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Note 4: Retirement Program (continued)

of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2014 for 30-year return assumptions are summarized in the following table:

Asset Class	2014 Long Term Expected Real Rate
Cash	1.50%
Treasuries	2.00%
IG Corp Credit	3.50%
MBS	2.25%
Core	2.53%
TIPS	2.50%
High Yield Bonds	4.50%
Bank Loans	5.00%
Global Bonds (Unhedged)	1.25%
Global Bonds (Hedged)	1.38%
EMD External	5.00%
EMD Local Currency	5.75%
Large Cap Equities	6.25%
Small/Mid Cap	6.25%
International Equities (Unhedged)	7.25%
International Equities (Hedged)	7.50%
Emerging International Equities	9.50%
Private Equity	8.75%
Private Debt	8.00%
Private Real Assets	7.75%
Real Estate	6.25%
Commodities	5.00%
Hedge Funds Low Vol	5.50%
Hedge Funds Mod Vol	5.50%

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2014. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore, the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the ARP, ERB's defined contribution plan, are included in the projection of cash flows. ARP₁₈

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Note 4: Retirement Program (continued)

contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the Station's proportionate shares of the net pension liability to changes in the discount rate: The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the June 30, 2014 measurement date. In particular, the table presents the Station's net pension

liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The Station's proportionate share of the net pension liability	<u>\$ 1,852,860</u>	<u>\$ 1,361,781</u>	<u>\$ 951,597</u>

Pension plan fiduciary net position: Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2014 and 2013 which are publicly available at www.nmerb.org.

Note 5: Capital Assets

Capital assets of the Station consist of equipment having a book value of \$5,000 or greater and a useful life greater than one year. Donated assets having a fair market value at the date of the gift in excess of \$5,000 or more and a useful life in excess of one year are also recorded as capital assets.

The changes in the capital asset balance for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2015
Equipment	\$ 3,972,387	\$ 260,587	\$ (176,752)	\$ -	\$ 4,056,222
Depreciation	(3,607,537)	(183,357)	176,752	-	(3,614,142)
Equipment, net	<u>\$ 364,850</u>	<u>\$ 77,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442,080</u>

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Note 6: Risk Management

Through the University the Station participates in the State of New Mexico Risk Management Program (Risk Management) which provides liability and physical damage insurance. The Risk Management program liability insurance coverage includes most employee liability claims (excluding awards for wages); other claims falling outside this State program are generally covered under the University's supplementary liability coverage. After conferring with legal counsel concerning pending or threatened litigation and claims, the Station administration believes the outcome of pending or threatened litigation should not have a material adverse effect on the financial position or operations of the Station.

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 Required Supplementary Information - Unaudited
 For the Year Ended June 30, 2015**

Schedule 1: Schedule of the Station's Proportionate Share of Net Pension Liability

The schedule of proportionate share of net pension liability and the schedule of employer contributions present multiyear trend information for the last ten fiscal years. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

	2015
Station's proportion of the net pension liability	0.3156567%
Station's proportion share of the net pension liability	\$ 1,361,781
Station's covered-employee payroll	\$ 725,051
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.59%
Plan fiduciary net position as a percentage of the total pension liability	0.21%

Schedule 2: Schedule of the Station's Contributions

	2015
Statutorily required employer contribution	\$ 98,296
Contributions in relation to the statutorily required contribution	98,296
Contribution deficiency (excess)	\$ -
Station's covered-employee payroll	\$ 725,051
Contributions as percentage of covered-employee payroll	0.04%