

Financial Statements and Schedules

KRWG FM



2016 | 2015

All About Discovery!
New Mexico State University
nmsu.edu

NM
STATE

New Mexico State University
KRWG-FM
Table of Contents
June 30, 2016 and 2015

Report of Independent Auditors 2

Management’s Discussion and Analysis (Unaudited)..... 4

Basic Financial Statements

 Statements of Net Position..... 8

 Statements of Revenues, Expenses and Changes in Net Position 9

 Statements of Cash Flows 10

 Notes to the Financial Statements 11

Required Supplementary Information – unaudited

 Schedule of the Station’s Proportionate Share of Net Pension Liability and Employer
 Contributions 24



KPMG LLP
Two Park Square, Suite 700
6565 Americas Parkway, N.E.
Albuquerque, NM 87110-8179

Independent Auditors' Report

The Board of Regents
KRWG-FM:

Report on the Financial Statements

We have audited the accompanying financial statements of KRWG-FM (the Station), a department of New Mexico State University, as of and for the years ended June 30, 2016 and 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 opinions on these financial statements based on our audits. We conducted our audits 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 respective financial position of KRWG-FM, as of June 30, 2016 and 2015, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matters

Departmental Financial Statements

As discussed in Note 1, the financial statements of New Mexico State University KRWG-FM, a department of New Mexico State University, are intended to present the financial positions, 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-FM. They do not purport to, and do not, present fairly the financial position of New Mexico State University as of June 30, 2016 and 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

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedule of proportionate share of net pension liability and employer contributions on pages 4-7 and 24, 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
December 16, 2016

New Mexico State University

KRWG-FM

Management's Discussion and Analysis

For the Years Ended June 30, 2016 and 2015

(Unaudited)

This discussion and analysis of KRWG-FM (the Station) and its financial performance provides an overview of the Station's financial activities for the fiscal years ended June 30, 2016, 2015 and 2014.

Using This Annual Report

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

Financial Highlights

- The Station's net position decreased by \$87,300 in fiscal year 2016 as compared to fiscal year 2015. This is mainly due to a decrease of CPB revenue recognized in fiscal year 2016. In 2016, KRWG-FM recognized \$117,343 as compared to \$168,964 in 2015. A couple other contributing factors were as follows; first there was higher expense in fiscal year 2015 attributed to software and hardware upgrades and second there was a reduction in permanent endowment revenues for fiscal year 2016 as compared to fiscal year 2015. The Station's net position decreased by \$29,150 in fiscal year 2015. This is mainly due to an increase in operating expenses which is explained in more detail below.
- In fiscal year 2016, the Station's operating expenses decreased by \$16,739. This decrease is attributed to a hardware upgrade for system automation that was purchased in 2015. The operating revenues decreased in 2016 by \$53,921. This is attributed to a decrease in CPB revenue recognized in 2016 as compared to 2015. In fiscal year 2015, the Station's operating expenses increased by \$158,380, which in part can be contributed to the following factors; in fiscal year 2015, KRWG-FM had a merit wage increase of 1.5%, as well as a 7.5% increase in NPR dues. The Station had additional expenses related to software upgrades for web enhancements to enable the Station to become PCI compliant, as well as hardware upgrades for system automation. The expenses related to the upgrades were primarily below the capitalization threshold.

New Mexico State University

KRWG-FM

Management's Discussion and Analysis

For the Years Ended June 30, 2016 and 2015

(Unaudited)

Reporting on KRWG-FM's Activities

Financial Highlights

KRWG-FM's condensed financial information as of, and for the years ended June 30, 2016, 2015 and 2014 are provided in the following table:

	2016	2015	2014
Current assets	\$ 880,623	\$ 907,069	\$ 1,113,740
Other assets	243,089	254,907	65,006
Deferred outflow of resources	113,556	47,196	-
Total assets and deferred outflows of resources	\$ 1,237,268	\$ 1,209,172	\$ 1,178,746
Current liabilities	213,766	192,211	183,930
Noncurrent liabilities	787,530	645,635	21,337
Deferred Inflows of resources	17,462	65,516	-
Net investment in capital assets	34,595	51,502	65,006
Restricted for non-expendable endowments	208,494	203,405	182,065
Restricted for expendable endowments	6,816	6,816	6,186
Unrestricted	(31,395)	44,087	720,222
Total liabilities, deferred inflows of resources and net position	\$ 1,237,268	\$ 1,209,172	\$ 1,178,746
Operating revenues	\$ 232,523	\$ 286,444	\$ 119,790
Operating expenses	987,382	1,004,121	845,741
Operating loss	(754,859)	(717,677)	(725,951)
Non-operating revenue	662,470	667,887	695,430
Other revenue	5,089	20,640	3,374
Change in net position	(87,300)	(29,150)	(27,147)
Net position, beginning of year, as restated	305,810	334,960	1,000,626
Net position, end of year	\$ 218,510	\$ 305,810	\$ 973,479

New Mexico State University

KRWG-FM

Management's Discussion and Analysis

For the Years Ended June 30, 2016 and 2015

(Unaudited)

Overview of the Financial Statements

The Statements of Net Position of KRWG-FM provides information about KRWG-FM's overall financial status. The Statements 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-FM. The Statements of Cash Flows provides information about the sources and uses of cash.

In 2016, total assets decreased by \$38,264, deferred outflows increased by \$66,360, total liabilities increased by \$163,450, deferred inflows decreased by \$48,054 and net position decreased by \$87,300. In 2015, total assets decreased by \$16,770, deferred outflows increased by \$47,196, total liabilities increased by \$632,579, deferred inflows increased by \$65,516 and net position decreased by \$667,669.

Statements of Net Position

Assets – In 2016, 2015 and 2014 the majority of the assets were in the form of cash and investments, \$1,022,950, \$1,048,825 and \$1,104,889, 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 2016, 2015 and 2014, capital assets were \$34,595, \$51,502 and 65,006, respectively. The decrease is primarily due to depreciation expense of \$21,858 and \$23,378, respectively. The Station had additions of \$4,951 in 2016. The Station had additions of \$10,106 and a loss on disposal of equipment of \$232 in 2015.

Liabilities and Net Position – In 2016 and 2015 current liabilities were \$213,766 and \$192,211 respectively. This variance is mainly due to an increase in unearned revenue in 2016. In fiscal year 2015, there was an audit adjusting entry to record prepaid expenses and the offset was a reduction to expense. In fiscal year 2016, the entry to move prepaid expense to the balance sheet was processed through our Banner system, thus automatically creating an increase to unearned revenue for fiscal year 2016. Non-current liabilities in 2016 and 2015 were \$787,530 and \$645,635 respectively. This variance is attributable to the pension liability increasing by \$138,600. Both these increases are reflected in the decrease in net position in 2016. In 2015 and 2014 current liabilities were \$192,211 and \$183,930, respectively. The increase is due in part to higher accounts payable with attributed to the decrease in net position. In 2015 and 2014, the non-current liabilities were \$645,635 and \$21,337, respectively. The increase is due to the effect of GASB 68.

The pension liability, the deferred outflows and deferred inflows mentioned above are related to the requirements of GASB 68.

New Mexico State University

KRWG-FM

Management's Discussion and Analysis

For the Years Ended June 30, 2016 and 2015

(Unaudited)

Statements of Revenues, Expenses, and Changes in Net Position

Revenues – Operating revenue earned in 2016, 2015 and 2014 were derived from grants from the CPB, underwriting and sales and services. Non-operating revenue was derived from direct administrative support, membership receipts and other gifts and revenue sources. In 2016 and 2015 operating revenues were \$232,523 and \$286,444 respectively. In fiscal year 2016, revenues are lower due to a reclassification of prepaid expense for dues, which caused a reduction of revenue recognized. In fiscal year 2014, revenues were \$119,790 and this is due to less spending of CPB funding, which caused a lower amount of revenue recognized. In 2014 the annual dues were paid from gift revenue.

Expenses – Operating expenses incurred in 2016, 2015 and 2014 were derived from salaries and fringe benefits, programming dues, supplies and services and depreciation expense of capital assets. In 2016 and 2015 operating expenses were \$971,823 and \$1,004,121, respectively. In fiscal year 2015 operating expenses were higher due to some software and hardware upgrades. In 2014 operating expenses were \$845,741. In fiscal year 2015, KRWG-FM had a merit wage increase of 1.5% as well as a 7.5% increase in NPR dues. The station also had expenses related to software and hardware upgrades.

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

New Mexico State University
KRWG-FM
Statements of Net Position
As of June 30, 2016 and 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 428,708	\$ 354,753
Investments	385,748	490,667
Prepaid expenses	52,923	48,287
Accounts receivable	13,244	13,362
Total current assets	<u>880,623</u>	<u>907,069</u>
Non-current assets		
Restricted - investments	208,494	203,405
Capital assets - equipment, net	34,595	51,502
Total non-current assets	<u>243,089</u>	<u>254,907</u>
TOTAL ASSETS	<u>1,123,712</u>	<u>1,161,976</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>113,556</u>	<u>47,196</u>
LIABILITIES		
Current liabilities		
Accounts payable	7,427	19,164
Unearned revenue	206,339	173,047
Total current liabilities	<u>213,766</u>	<u>192,211</u>
Non-current liabilities		
Net pension liability	757,840	619,240
Compensated absences	29,690	26,395
Total non-current liabilities	<u>787,530</u>	<u>645,635</u>
TOTAL LIABILITIES	<u>1,001,296</u>	<u>837,846</u>
DEFERRED INFLOWS OF RESOURCES	<u>17,462</u>	<u>65,516</u>
NET POSITION		
Net investment in capital assets	34,595	51,502
Restricted for:		
Non-expendable:		
Endowments	208,494	203,405
Expendable:		
Endowments	6,816	6,816
Unrestricted	(31,395)	44,087
TOTAL NET POSITION	<u>\$ 218,510</u>	<u>\$ 305,810</u>

See accompanying notes to financial statements.

**New Mexico State University
KRWG-FM**

**Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2016 and 2015**

	2016	2015
REVENUES		
Operating revenues		
Corporation for Public Broadcasting grants	\$ 117,343	\$ 168,964
Underwriting	95,118	95,859
Underwriting in-kind fees	11,140	15,071
Sales and services	8,922	6,550
Total operating revenues	<u>232,523</u>	<u>286,444</u>
EXPENSES		
Operating expenses		
Programming and production	527,700	501,540
Broadcasting and technical	77,963	123,933
Public information	1,224	998
Management and general	183,548	183,890
Program services	131,220	127,740
Contractual services	43,869	42,642
Depreciation expense	21,858	23,378
Total operating expenses	<u>987,382</u>	<u>1,004,121</u>
Operating loss	<u>(754,859)</u>	<u>(717,677)</u>
NON-OPERATING REVENUES (EXPENSES)		
Facilities and administrative support	94,578	94,360
University appropriations	352,679	352,679
Membership and other non-exchange gifts	215,213	221,080
Loss on disposal of plant equipment	-	(232)
Total non-operating revenues (expenses)	<u>662,470</u>	<u>667,887</u>
Loss before other revenues	(92,389)	(49,790)
Additions to permanent endowments	5,089	20,640
Decrease in net position	(87,300)	(29,150)
NET POSITION		
Beginning of year	305,810	334,960
End of year	<u>\$ 218,510</u>	<u>\$ 305,810</u>
See accompanying notes to financial statements.		

New Mexico State University
KRWG-FM
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Underwriting	\$ 91,801	\$ 81,869
Corporation for public broadcasting grants	154,070	174,186
Payments to suppliers	(372,617)	(414,221)
Payments for travel	(10,346)	(3,644)
Payments for employee and employee benefits	(465,735)	(444,040)
Receipts from sales and services	8,922	6,550
Net cash used in operating activities	<u>(593,905)</u>	<u>(599,300)</u>
Cash flows from non-capital financing activities		
University appropriations	352,679	352,679
Membership and other non-exchange gifts and grants	215,213	221,080
Private gifts for endowment	5,089	20,640
Net cash provided by non-capital financing activities	<u>572,981</u>	<u>594,399</u>
Cash flows from capital and related financing activities		
Purchases of equipment	<u>(4,951)</u>	<u>(10,106)</u>
Net cash used in capital and related financing activities	<u>(4,951)</u>	<u>(10,106)</u>
Cash flows from investing activities		
Proceeds from sales of investments	227,283	144,883
Interest on investments	-	1,664
Purchase of investments	<u>(127,453)</u>	<u>(147,389)</u>
Net cash provided by (used in) investing activities	<u>99,830</u>	<u>(842)</u>
Net increase (decrease) in cash	73,955	(15,849)
Cash and cash equivalents-beginning of year	<u>354,753</u>	<u>370,602</u>
Cash and cash equivalents-end of year	<u>\$ 428,708</u>	<u>\$ 354,753</u>
Reconciliation of net operating loss to net cash used by operating activities		
Operating loss	\$ (754,859)	\$ (717,677)
Adjustment to reconcile net loss to net cash used in operating activities:		
Facilities and administrative support	94,578	94,360
Depreciation expense	21,858	23,378
Change in assets and liabilities:		
Accounts receivable	118	(4,511)
Prepaid expenses	(4,636)	16,637
Accounts payable and other accrued liabilities	15,744	(7,230)
Unearned revenue	33,292	(4,257)
Net cash used in operating activities	<u>\$ (593,905)</u>	<u>\$ (599,300)</u>
See accompanying notes to financial statements.		

**New Mexico State University
KRWG-FM
Notes to Financial Statements**

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

New Mexico State University KRWG-FM (the Station) is an unincorporated public telecommunication entity, established in 1964, 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 radio 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.

Statements 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 cash or which have an original maturity date within ninety days. Cash of \$428,708 and \$354,753 was held by the University on behalf of the Station in a cash management pool at June 30, 2016 and 2015, respectively.

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-FM
Notes to Financial Statements

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 totaled \$594,242 and \$694,072 at June 30, 2016 and 2015, respectively. 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 an on-air credit but had not paid a reciprocal amount of their pledge amount as of the fiscal year end. Station management believes all amounts are fully collectible.

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 \$94,578 and \$94,360 for the years ended June 30, 2016 and 2015, respectively.

Underwriting In-kind Fees. For the fiscal years ended June 30, 2016 and 2015, the Station received underwriting in-kind fees of \$11,140 and \$15,071. This amount does not meet the requirements 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 acquisition 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 in excess of the grant revenue recognized through June 30, 2016 and 2015. The Station did not have any outstanding short-term or long-term debt at June 30, 2016 and 2015.

**New Mexico State University
KRWG-FM
Notes to Financial Statements**

Annual and Sick Leave. Until June 30, 2016, regular full-time exempt and non-exempt employees earned annual leave at a rate of 22 working days per year. Effective July 1, 2016 the maximum annual leave that can be earned by employees changed to 20 days per year. Annual leave accrual will be based on the employee's period of continuous service of employment at the University. Leave is prorated for regular employees working at least halftime. University policy allows employees to accumulate a maximum of 30 unused annual leave days. Accumulated annual leave is paid upon termination.

Regular full-time exempt and non-exempt employees earn sick leave at a rate of 12 working days per year. Employees may carry forward up to 100 days (800 hours) of sick leave. Prior to July 1, 2016, employees were paid for earned sick leave over 600 hours (not to exceed 200 hours) upon termination. Effective July 1, 2016, the sick leave payout benefit upon termination was discontinued; however, employees with sick leave balances of greater than 600 hours on that date will receive a grandfathered benefit. Upon termination, they will be paid for the number of hours over 600 (not to exceed 200 hours) that they had on July 1, 2016 or the number that they have upon termination, whichever is less. The sick leave payment is made at a rate of 50 percent of the employee's straight-time hourly salary.

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- 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.

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

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.

**New Mexico State University
KRWG-FM
Notes to Financial Statements**

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.

All revenues not meeting this definition are reported as non-operating revenues. Additions to permanent endowments 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 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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Changes in Accounting Policies and Statements. The Station has adopted GASB Statement No. 72, Fair Value Measurement and Application. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. During the year ended June 30, 2016, the Station also adopted GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (GASB 76) that supersedes GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. GASB 76 identifies the hierarchy of general accepted accounting principles for state and local governments. This implementation did not have significant impact on the Station financial statements.

**New Mexico State University
KRWG-FM
Notes to Financial Statements**

Restatement. The July 1, 2014 net position was restated as a result of the adoption of GASB 68. This statement requires state agencies to disclose their proportionate share of the Educational Retirement Board (ERB) pension liability. An adjustment was made to add the liability to the Statements of Net Position. The following table shows the result of this restatement on the net position at July 1, 2014.

Net position at July 1, 2014, as previously reported	\$ 817,305
Adjustment:	
Adoption of new accounting standard	(638,519)
Correction of errors	156,174
Net position at July 1, 2014, as restated	<u>\$ 334,960</u>

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 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 \$158,139 as of June 30, 2014.

In prior years, the Station did not accurately account for unearned revenue accruals. The unearned revenue account contained negative balances that were a result of improper reversal of prior period unearned revenue accruals. This resulted in cumulative understatement of unearned revenue and an overstatement of net position totaling \$9,820 as of June 30, 2014.

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 overstatement of unearned revenue and understatement of net position totaling \$7,855 as of June 30, 2014.

The effect of the correction of these errors on the 2014 change in net position is a decrease of \$33,143.

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 years ended June 30, 2016 and 2015, the Foundation received \$128,669 and \$145,386 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

**New Mexico State University
KRWG-FM
Notes to Financial Statements**

accompanying Statements of Revenues, Expenses and Changes in Net Position. In addition, in 2016 and 2015, the Foundation invested permanently restricted endowment funds totaling \$208,494 and \$203,405, respectively, on behalf of the Station.

Endowment funds received in the fiscal years 2016 and 2015 amounted to \$5,089 and \$20,640. Interest earned on endowment funds not available for expenditure totaled \$0 and \$1,664 for June 30, 2016 and 2015, respectively.

The University contributed \$352,679 of direct administrative support during the fiscal years ended June 30, 2016 and 2015.

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.

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 were \$46,279 and \$44,698 for the fiscal year ended June 30, 2016 and 2015, respectively.

**New Mexico State University
KRWG-FM
Notes to Financial Statements**

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

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2015. At June 30, 2016 and 2015, the Station reported a liability of \$757,840 and \$619,240 for its proportionate share of the University's net pension liability. The Station's proportion of the net pension liability is based on a percentage of its contributions relative to employees that provide services to the Station to University's total contributions. At June 30, 2015 the Station's proportion was 0.01170 percent which was a decrease of 0.00085 percent from its proportion measured at June 30, 2014. At June 30, 2014, the Station's proportion was 0.01085 percent, which was an increase of 0.00006 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2016, the Station recognized pension expense of \$70,468. At June 30, 2016, 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	\$ -	\$ 14,050
Changes of assumptions	26,066	
Net difference between projected and actual earnings on pension plan investments		3,412
Changes in proportion and differences between Station contributions and proportionate share of contributions	41,211	
Station contributions subsequent to the measurement date	46,279	
Total	<u>\$ 113,556</u>	<u>\$ 17,462</u>

**New Mexico State University
KRWG-FM
Notes to Financial Statements**

For the year ended June 30, 2015, the Station recognized pension expense of \$44,217. At June 30, 2015, 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	\$ -	\$ 9,225
Net difference between projected and actual earnings on pension plan investments		56,291
Changes in proportion and differences between Station contributions and proportionate share of contributions	2,498	
Station contributions subsequent to the measurement date	<u>44,698</u>	
Total	<u>\$ 47,196</u>	<u>\$ 65,516</u>

The \$46,279 reported as deferred outflows of resources related to pensions resulting from Station contributions subsequent to the measurement date of June 30, 2015 will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2017	\$ (12,859)
2018	\$ (13,166)
2019	\$ (13,265)
2020	<u>\$ (10,525)</u>
	<u>\$ (49,815)</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, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year June 30, 2015 using generally accepted actuarial principles. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

- All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year June 30, 2015 and thereafter.

**New Mexico State University
KRWG-FM
Notes to Financial Statements**

- 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 June 12, 2015 in conjunction with the six-year experience study period June 30, 2014.
- For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

ERB approved the following economic and demographic assumptions used in the fiscal year 2015 actuarial calculation of the total pension liability on June 12, 2015.

- Lower wage inflation from 4.25% to 3.75%.
- Update the mortality tables with generational improvements.
- Update demographic assumptions to use currently published tables, which may result in minor calculation changes.
- No change in current 3.00% inflation assumption.
- Retain net 4.75% real return assumption.
- Retain 7.75% nominal return assumption.
- No change to current COLA assumption of 2.00% per year.
- Maintain current payroll growth assumption to 3.50%.
- Maintain experience-based rates for members who joined ERB by June 30, 2010.
- Remove population growth assumption for projections.
- Lower population growth assumptions from .50% to zero (no impact on valuation results).

The actuarial assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized - closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 Year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%

**New Mexico State University
KRWG-FM
Notes to Financial Statements**

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

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

Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2015 and 2014 for 30-year return assumptions are summarized in the following table:

Asset Class	2015	2014
	Long Term Expected Real Rate of Return	Long Term Expected Real Rate of Return
Cash	3.25%	3.75%
Treasuries	3.50%	4.00%
IG Corp Credit	4.75%	5.25%
MBS	3.75%	4.25%
Core	3.98%	4.46%
TIPS	4.00%	4.50%
High Yield Bonds	5.75%	6.00%
Bank Loans	6.00%	6.25%
Global Bonds (Unhedged)	2.25%	3.00%
Global Bonds (Hedged)	2.41%	3.13%
EMD External	6.00%	7.00%
EMD Local Currency	6.75%	7.25%
Large Cap Equities	7.50%	7.75%
Small/Mid Cap	7.75%	8.00%
International Equities (Unhedged)	8.00%	8.25%
International Equities (Hedged)	8.47%	8.48%
Emerging International Equities	9.25%	9.50%
Private Equity	9.50%	9.75%
Private Debt	8.00%	8.25%
Private Real Assets	7.75%	7.75%
Real Estate	6.50%	6.50%
Commodities	5.75%	6.00%
Hedge Funds Low Vol	6.75%	7.00%

**New Mexico State University
 KRWG-FM
 Notes to Financial Statements**

Target allocation for each major asset class is summarized in the following table:

Asset Class	Target Allocation
Fixed income	28%
Domestic equity	20%
International equity	15%
Real estate	7%
Real assets	8%
Private equity	11%
Absolute return	0%
Global asset allocation	5%
Risk parity	5%
Cash	1%
Total	<u>100%</u>

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2015 and 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 Alternative Retirement Plan (ARP), ERB’s defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

**New Mexico State University
KRWG-FM
Notes to Financial Statements**

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 fiscal year ended 2016 and 2015. 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.

	2016		
	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Station's proportionate share of the net pension liability	\$ 1,019,725	\$ 757,840	\$ 537,830

	2015		
	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Station's proportionate share of the net pension liability	\$ 842,547	\$ 619,240	\$ 432,718

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, 2015 and 2014 which are publicly available at www.nmerb.org.

**New Mexico State University
KRWG-FM
Notes to Financial Statements**

Note 5: Capital Assets

Capital assets of the Station consist of equipment having an initial cost 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 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, 2016 was as follows:

	Balance July 1, 2015	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2016
Equipment	\$ 396,603	\$ 4,951	\$ -	\$ -	\$ 401,554
Depreciation	(345,101)	(21,858)	-	-	(366,959)
Equipment, net	<u>\$ 51,502</u>	<u>\$ (16,907)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,595</u>

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	\$ 388,485	\$ 10,106	\$ (1,988)	\$ -	\$ 396,603
Depreciation	(323,479)	(23,378)	1,756	-	(345,101)
Equipment, net	<u>\$ 65,006</u>	<u>\$ (13,272)</u>	<u>\$ (232)</u>	<u>\$ -</u>	<u>\$ 51,502</u>

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.

**New Mexico State University
KRWG-FM
Required Supplementary Information
For the Years Ended June 30, 2016 and 2015**

Schedule 1: Schedule of the Station's Proportionate Share of Net Pension Liability and Employer Contributions (unaudited)

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 two years are shown. Until a full 10-year trend is compiled, information for those years for which information is available will be presented.

Schedule of Proportionate Share of Net Pension Liability- ERB Plan

	2015	2014
Station's proportion of the net pension liability	0.01170%	0.01085%
Station's proportion share of the net pension liability	\$ 757,840	\$ 619,240
Station's covered-employee payroll	\$ 325,011	\$ 299,147
Station's proportionate share of the net pension liability as a percentage of its covered-employee payroll	233.17%	207.00%
Plan fiduciary net position as a percentage of the total pension liability	63.97%	66.54%

Schedule of the Station's Contributions- ERB Plan

	2016	2015
Statutorily required employer contribution	\$ 46,279	\$ 44,698
Contributions in relation to the statutorily required contribution	46,279	44,698
Contribution deficiency (excess)	\$ -	\$ -
Station's covered-employee payroll	\$ 332,944	\$ 325,011
Contributions as percentage of covered-employee payroll	13.9%	13.9%

Notes to Schedules:

Changes of Benefit Terms

The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statements note disclosure Educational Retirement Act.

Changes of Assumptions

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

1. Fiscal year 2015 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 4.25% to 3.75%
 - b. Update mortality tables to incorporate generational improvements
 - c. Update demographic assumptions to use currently published tables, which may result in minor calculation changes
 - d. Remove population growth assumption for projections
 - e. Lower population growth from 0.50% to zero (no impact on valuation results)
2. Assumptions that were not changed:
 - a. Investment return will remain at 7.75%
 - b. Inflation will remain at 3.00%
 - c. Retain 4.75% net real return assumption
 - d. No change to current COLA assumption of 2.00% per year
 - e. Maintain current payroll growth assumption to 3.50%
 - f. Maintain experience-based rates for members who joined ERB by June 30, 2010

See also the Actuarial Assumptions subsection of the financial statements note disclosure.