Financial Statements and Schedules

KRWG TV

2016 | 2015

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New Mexico State University
KRWG-TV
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June 30, 2016 and 2015

KPMG LLP
Two Park Square, Suite 700
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Albuquerque, NM 87110-8179

Independent Auditors' Report

The Board of Regents
KRWG-TV:

Report on the Financial Statements

We have audited the accompanying financial statements of KRWG-TV (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-TV, 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-TV, 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-TV. 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 4-6 and 23, 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-TV

Management's Discussion and Analysis
For the Years Ended June 30, 2016 and 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 years ended June 30, 2016 and 2015.

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-TV's address is: KRWG-TV, MSC TV 22, P.O. Box 30001, Las Cruces, NM 88003.

Financial Highlights

- The Station's net position decreased by $32,455 for fiscal year 2016. This was primarily due to a reduction in non-operating revenues. There was a reduction in state appropriations and membership gifts decreased in fiscal year 2016. 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 decreased by $218,695 in fiscal year 2016. In 2015 the Station's expenses were significantly higher due to depreciation expense. These expenses were offset with increased revenues of $206,391 in the form of a grant from USDA Rural Utility Service for the microwave link. The operating revenues decreased by $33,428 in fiscal year 2016, which can be attributed to a reduction in grant revenue. The Station's operating expenses increased by $72,731 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 Years Ended June 30, 2016 and 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, 2016, 2015 and 2014 are provided in the following table:

	2016	2015	2014
Current assets	$ 1,495,127	$ 1,423,236	$ 1,580,394
Other assets	502,825	544,863	364,850
Deferred outflow of resources	158,876	103,791	-
Total assets and deferred outflows of resources	$ 2,156,828	$ 2,071,890	$ 1,945,244
Current liabilities	957,106	912,804	937,749
Non-current liabilities	1,664,707	1,483,566	90,618
Deferred inflows of resources	36,028	144,078	-
Net investment in capital assets	399,210	442,080	364,850
Restricted for non-expendable endowments	103,615	102,783	99,252
Restricted for expendable endowments	1,923	3,543	3,382
Unrestricted	(1,005,761)	(1,016,964)	449,393
Total liabilities, deferred inflows of resources and net position	$ 2,156,828	$ 2,071,890	$ 1,945,244
Operating revenues	$ 714,476	$ 747,904	$ 837,983
Operating expenses	2,249,639	2,468,334	2,395,603
Operating loss	(1,535,163)	(1,720,430)	(1,557,620)
Non-operating revenue	1,502,708	1,532,633	1,538,503
Other revenue	-	206,541	50
Change in net position	(32,455)	18,744	(19,067)
Net position, beginning of year, as restated	(468,558)	(487,302)	935,944
Net position, end of year	$ (501,013)	$ (468,558)	$ 916,877

Overview of the Financial Statements

The Statements of Net Position of KRWG-TV provides information about KRWG-TV'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-TV. The Statements of Cash Flows provides information about the sources and uses of cash.

In 2016, total assets increased by $29,853, deferred outflows increased by $55,085, total liabilities increased by $225,443, deferred inflows decreased by $108,050 and net position decreased by $32,455. In 2015, total assets increased by $22,855, deferred outflows increased by $103,791, total liabilities increased by $1,368,003, deferred inflows increased by $144,078 and net position decreased by $1,385,435.

New Mexico State University
KRWG-TV

Management's Discussion and Analysis
For the Years Ended June 30, 2016 and 2015
(Unaudited)

Statements of Net Position

Assets – In 2016, 2015 and 2014 the majority of the assets were in the form of cash and investments, $1,572,555, $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 2016, 2015 and 2014, capital assets were $399,210, $442,080 and $364,850, respectively. The decrease in 2016 is due to depreciation expense of $57,725 offset by additions of $14,855. The increase in 2015 was due to depreciation expense of $183,357 offset by additions of $260,587.

Depreciation expense decreased by $125,632. The decrease is primarily attributable to a correction to accumulated depreciation in the amount of $86,750 related to assets that had been over-depreciated in prior years. In addition several capital assets became fully depreciated during fiscal year 2015.

Liabilities and Net Position – In 2016 and 2015 current liabilities were $957,106 and $912,804, respectively. The increase is primarily due to the increase in unearned revenue. In 2016 and 2015 non-current liabilities were $1,664,707 and $1,483,566 respectively. The increase is mainly due to the increase in the pension liability which is from adoption of GASB 68. 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.

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 state appropriations, membership receipts and other gifts and revenue sources. In 2016 and 2015 operating revenues were $714,476 and $747,904, respectively. In 2015, grant spending increased, leading to an increase in revenue recognition. In fiscal 2014, operating revenues were $837,984 due to higher underwriting, insurance proceeds for damaged equipment, as well as a payout from PBS for the PBS Kids licensee distribution deal.

Expenses – Operating expenses incurred in 2016, 2015 and 2014 were derived from salaries and fringe benefits, supplies and services and depreciation expense of capital assets. In 2016 and 2015 operating expenses were $2,249,639 and $2,468,334, respectively. The decrease was primarily due to the decrease in depreciation expense of $125,632 from fiscal year 2015. In addition the station purchased a microwave link of which $74k was operating expense. In 2014, operating expenses were $2,395,603. Fiscal year 2015 had higher expenses due to a merit wage increase of 1.5% as well as the prior mentioned purchase of the microwave link.

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
Statements of Net Position
June 30, 2016 and 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,158,088	$ 1,093,388
Investments	310,852	319,338
Prepaid expenses	19,571	833
Accounts receivable	6,616	9,677
Total current assets	1,495,127	1,423,236
Non-current assets		
Restricted investments	103,615	102,783
Capital assets - equipment, net	399,210	442,080
Total non-current assets	502,825	544,863
TOTAL ASSETS	1,997,952	1,968,099
DEFERRED OUTFLOWS OF RESOURCES	158,876	103,791
LIABILITIES		
Current liabilities		
Accounts payable	12,674	81,535
Unearned income	944,432	831,269
Total current liabilities	957,106	912,804
Non-current liabilities		
Compensated absences	101,095	121,785
Net pension liability	1,563,612	1,361,781
Total non-current liabilities	1,664,707	1,483,566
TOTAL LIABILITIES	2,621,813	2,396,370
DEFERRED INFLOWS OF RESOURCES	36,028	144,078
NET POSITION		
Invested in capital assets	399,210	442,080
Restricted for:		
Non-expendable:		
Endowments	103,615	102,783
Expendable:		
Endowments	1,923	3,543
Unrestricted	(1,005,761)	(1,016,964)
TOTAL NET POSITION	$ (501,013)	$ (468,558)

See accompanying notes to financial statements.

New Mexico State University
KRWG-TV
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	$ 652,976	$ 695,646
Underwriting	33,672	30,437
Underwriting in-kind fees	5,832	7,081
Sales and services	21,996	14,740
Total operating revenues	714,476	747,904
EXPENSES		
Operating expenses		
Programming and production	744,081	755,983
Broadcasting and technical	301,370	314,182
Management and general	1,000,704	1,086,067
Program services	145,759	128,745
Depreciation expense	57,725	183,357
Total operating expenses	2,249,639	2,468,334
Operating loss	(1,535,163)	(1,720,430)
NON-OPERATING REVENUES		
Facilities and administrative support	216,815	222,583
State appropriations	1,090,400	1,097,000
Membership and other non-exchange gifts and grants	195,493	213,050
Total non-operating revenues	1,502,708	1,532,633
Loss before other revenues	(32,455)	(187,797)
Capital grants	-	206,391
Additions to permanent endowments	-	150
Increase (decrease) in net position	(32,455)	18,744
NET POSITION		
Beginning of year, as restated (Note 2)	(468,558)	(487,302)
End of year	$ (501,013)	$ (468,558)

See accompanying notes to financial statements.

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

	2016	2015
Cash flows from operating activities		
Underwriting	$ 35,570	$ 104,715
Corporation for public broadcasting grants	767,302	684,176
Payments to suppliers	(1,075,265)	(883,202)
Payments for travel	(30,554)	(1,546)
Payments for employee and employee benefits	(933,041)	(1,152,987)
Receipts from sales and services	21,996	14,740
Net cash used in operating activities	(1,213,992)	(1,234,104)
Cash flows from non-capital financing activities		
State appropriations	1,090,400	1,097,000
Membership and other non-exchange gifts and grants	195,493	213,050
Private gifts for endowments	-	150
Net cash provided by non-capital financing activities	1,285,893	1,310,200
Cash flows from capital and related financing activities		
Capital grants	-	206,391
Purchases of equipment	(14,855)	(260,587)
Net cash used in capital and related financing activities	(14,855)	(54,196)
Cash flows from investing activities		
Proceeds from sales of investments	141,665	31,066
Interest on investments	(847)	3,543
Purchase of investments	(133,164)	(144,936)
Net cash provided by (used in) investing activities	7,654	(110,327)
Net increase (decrease) in cash	64,700	(88,427)
Cash and cash equivalents-beginning of year	1,093,388	1,181,815
Cash and cash equivalents-end of year	$ 1,158,088	$ 1,093,388
Reconciliation of net operating loss to net cash used by operating activities		
Operating loss	$ (1,535,163)	$ (1,720,430)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation expense	57,725	183,357
Facilities and administrative support	216,815	222,583
Change in assets and liabilities:		
Accounts receivable	3,061	77,108
Prepaid expenses	(18,738)	(833)
Accounts payable and other accrued liabilities	(50,855)	18,411
Unearned revenue	113,163	(14,300)
Net cash used in operating activities	$ (1,213,992)	$ (1,234,104)

See accompanying notes to financial statements.

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.

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 known amounts of cash or which have an original maturity date within ninety days. Cash of $1,158,088 and $1,093,388 is 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.

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 $414,467 and $422,121 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 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 $216,815 and $222,583 at 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 $5,832 and $7,081, respectively, 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 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.

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, Expendable consists 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.

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. 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.

Reclassifications. Certain amounts in the 2015 financial statements and notes thereto have been reclassified to conform to 2016 financial statement presentation.

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.

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 Statement 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	$ 965,981
Adjustment:	
Adoption of new accounting standard	(1,404,179)
Correction of errors	(49,104)
Net position at July 1, 2014, as restated	$ (487,302)

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.

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 years ended June 30, 2016 and 2015, the Foundation received $131,914 and $133,271 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 Statements of Revenues, Expenses and Changes in Net Position. In addition, in 2016 and 2015 the Foundation invested permanently restricted endowment funds totaling $103,615 and $102,783, respectively, on behalf of the Station. Interest on endowment funds for fiscal years 2016 and 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, Article11 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 was $89,438 and $98,296 for the fiscal years ended June 30, 2016 and 2015, respectively.

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 $1,563,612 and $1,361,781, respectively, for its proportionate share of the University's net pension liability. 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, 2015, the Station's proportion was 0.02414 percent, which was an increase of 0.00027 percent from its proportion measured as of June 30, 2014. At June 30, 2014, the Station's proportion was 0.02387 percent, which was an increase of 0.00012 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2016, the Station recognized a pension expense of $128,133. 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	$ -	$ 28,988
Changes of assumptions	53,782	
Net difference between projected and actual earnings on pension plan investments		7,040
Changes in proportion and differences between Station contributions and proportionate share of contributions	15,656	
Station contributions subsequent to the measurement date	89,438	
Total	$ 158,876	$ 36,028

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		123,791
Changes in proportion and differences between Station contributions and proportionate share of contributions	5,494	
Station contributions subsequent to the measurement date	98,296	
Total	$ 103,791	$ 144,078

The $89,438 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	$ (2,458)
2018	$ (3,087)
2019	$ (6,149)
2020	$ (21,716)
	$ (33,410)

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.

- 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%

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 Long Term Expected Real Rate of Return	2014 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%

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	100%

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.

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	$ 2,103,945	$ 1,563,612	$ 1,109,677

2015			
	1% Decrease (6.75%)	**Current Discount Rate (7.75%)**	**1% Increase (8.75%)**
Station's proportionate share of the net pension liability	$ 1,852,860	$ 1,361,781	$ 951,597

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, 2016 was as follows:

	Balance July 1, 2015	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2016
Equipment	$ 4,056,222	$ 14,855	$ (23,726)	$ -	$ 4,047,351
Depreciation	(3,614,142)	(57,725)	23,726	-	(3,648,141)
Equipment, net	$ 442,080	$ (42,870)	$ -	$ -	$ 399,210

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	$ 364,850	$ 77,230	$ -	$ -	$ 442,080

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

		2015		2014
Station's proportion of the net pension liability		0.02414%		0.02387%
Station's proportion share of the net pension liability	$	1,563,612	$	1,361,781
Station's covered-employee payroll	$	683,466	$	657,860
Station's proportionate share of the net pension liability as a percentage of its covered-employee payroll		228.78%		207.00%
Plan fiduciary net position as a percentage of the total pension liability		63.97%		66.54%

Schedule 2: Schedule of the Station's Contributions

		2016		2015
Statutorily required employer contribution	$	89,438	$	98,296
Contributions in relation to the statutorily required contribution		89,438		98,296
Contribution deficiency (excess)	$	-	$	-
Station's covered-employee payroll	$	643,440	$	683,466
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.