FINANCIAL STATEMENTS AND SCHEDULES 2017 | 2016

KRWG TV

NM STATE

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Financial Statements and Schedules
June 30, 2017 and 2016

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

Independent Auditors' Report

The Board of Regents
KRWG-TV:

We have audited the accompanying financial statements of New Mexico State University KRWG-TV (the Station), a department of New Mexico State University, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements for the years then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial position of New Mexico State University KRWG-TV, a department of New Mexico State University, as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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Emphasis of Matters

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, 2017 and 2016, the changes in its financial position or its cash flows for the years 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 schedule of the Station's proportionate share of net pension liability and employer contributions as listed in the table of contents 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 audits 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
November 15, 2017

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, 2017, 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. The Station'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 $42,765 for fiscal year 2017 as compared to the decrease of $32,455 in fiscal year 2016. Although the operating loss decreased by $32,825, this was offset by a reduction in non operating revenues of $44,261.

In fiscal year 2017, the Station's operating expenses increased by $149,020. This increase is attributed to a vacant positions in 2016 filled in fiscal year 2017 as well as an increase in depreciation expense. The operating revenues increased in 2017 by $181,845 due the increases in Corporation for Public Broadcasting (CPB) revenue.

Reporting on KRWG-TV's Activities

Financial Highlights

The Station's condensed financial information as of, and for the years ended June 30, 2017, 2016 and 2015 are provided in the following table:

	2017	2016	2015
Current assets	$ 1,338,471	$ 1,495,127	$ 1,423,236
Other assets	513,148	502,825	544,863
Deferred outflow of resources	244,255	158,876	103,791
Total assets and deferred outflows of resources	$ 2,095,874	$ 2,156,828	$ 2,071,890
Current liabilities	$ 821,469	$ 957,106	$ 912,804
Noncurrent liabilities	1,729,312	1,664,707	1,483,566
Deferred inflows of resources	88,871	36,028	144,078
Net investment in capital assets	406,292	399,210	442,080
Restricted for non-expendable endowments	106,856	103,615	102,783
Restricted for expendable endowments	3,587	1,923	3,543
Unrestricted	(1,060,513)	(1,005,761)	(1,016,964)
Total liabilites, deferred inflows of resources and net position	$ 2,095,874	$ 2,156,828	$ 2,071,890
Operating revenues	895,474	713,629	747,904
Operating expenses	2,392,340	2,249,639	2,468,334
Operating loss	(1,496,866)	(1,536,010)	(1,720,430)
Non-operating revenue	1,452,975	1,503,555	1,532,633
Other revenue	1,126	-	206,541
Change in net position	(42,765)	(32,455)	18,744
Net position, beginning of year, as restated	(501,013)	(468,558)	(487,302)
Net position, end of year	$ (543,778)	$ (501,013)	$ (468,558)

Overview of the Financial Statements

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

In 2017 total assets decreased by $146,333, deferred outflows increased by $85,379, total liabilities decreased by $71,032, deferred inflows increased by $52,843 and net position decreased by $42,765. 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.

Statements of Net Position

Assets – In 2017, 2016 and 2015 the majority of the assets were in the form of cash and investments, $1,437,391, $1,572,555, and $1,515,509, respectively. Assets are held by the Station'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 2017, 2016 and 2015, capital assets were $406,292, $399,210, and $442,080, respectively. The increase in 2017 is primarily due to the asset additions offset by depreciation expense of $146,525. The decrease in 2016 is due to depreciation expense of $57,725.

Liabilities and Net Position – In 2017, 2016 and 2015 current liabilities were $821,469, $957,106 and $912,804, respectively. The variance between 2017 and 2016 is due to reductions in accounts payable and unearned revenue in 2017. The fluctuation is primarily due to unearned revenue which is contingent on the spending of CPB funds. In 2017, 2016 and 2015 non-current liabilities were $1,729,312, $1,664,707 and $1,483,566, respectively. The increase is mainly due to the increase in the pension liability.

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

Statements of Revenues, Expenses, and Changes in Net Position

Revenues – Operating revenue earned in 2017, 2016 and 2015 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.

Expenses – Operating expenses incurred in 2017, 2016 and 2015 were derived from salaries and fringe benefits, programming dues, supplies and services and depreciation expense.

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

New Mexico State University
KRWG - TV
Statements of Net Position
As of June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 903,174	$ 1,158,088
Investments	427,361	310,852
Prepaid expenses	5,876	19,571
Accounts receivable	2,060	6,616
Total current assets	1,338,471	1,495,127
Non-current assets		
Restricted - investments	106,856	103,615
Capital assets - equipment, net	406,292	399,210
Total non-current assets	513,148	502,825
TOTAL ASSETS	1,851,619	1,997,952
DEFERRED OUTFLOWS OF RESOURCES	244,255	158,876
LIABILITIES		
Current liabilities		
Accounts payable	8,534	12,674
Unearned revenue	812,935	944,432
Total current liabilities	821,469	957,106
Non-current liabilities		
Net pension liability	1,624,600	1,563,612
Compensated absences	104,712	101,095
Total non-current liabilities	1,729,312	1,664,707
TOTAL LIABILITIES	2,550,781	2,621,813
DEFERRED INFLOWS OF RESOURCES	88,871	36,028
NET POSITION		
Net investment in capital assets	406,292	399,210
Restricted for:		
Non-expendable:		
Endowments	106,856	103,615
Expendable:		
Endowments	3,587	1,923
Unrestricted	(1,060,513)	(1,005,761)
TOTAL NET POSITION	$ (543,778)	$ (501,013)

New Mexico State University
KRWG - TV
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	2017	2016
REVENUES		
Operating revenues		
Corporation for Public Broadcasting grants	851,069	652,976
Underwriting	20,491	33,672
Underwriting in-kind fees	4,032	5,832
Sales and services	19,882	21,149
Total operating revenues	895,474	713,629
EXPENSES		
Operating expenses		
Programming and production	796,602	744,081
Broadcasting and technical	308,759	301,370
Management and general	993,697	1,000,704
Program services	146,757	145,759
Depreciation expense	146,525	57,725
Total operating expenses	2,392,340	2,249,639
Net operating loss	(1,496,866)	(1,536,010)
Non-operating revenues		
Facilities and administrative support	222,352	216,815
State appropriations	1,016,900	1,090,400
Membership and other non-exchange gifts	208,447	195,493
Interest income	5,276	847
Net non-operating revenues	1,452,975	1,503,555
Loss before other revenues	(43,891)	(32,455)
Additions to permanent endowments	1,126	-
(Decrease) increase in net position	(42,765)	(32,455)
NET POSITION		
Beginning of year	(501,013)	(468,558)
End of year	$ (543,778)	$ (501,013)

New Mexico State University
KRWG - TV
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Underwriting	$ 24,117	$ 35,570
Corporation for public broadcasting grants	720,502	767,302
Payments to suppliers	(971,736)	(1,075,265)
Payments for travel	(13,632)	(30,554)
Payments to employees and for employee benefits	(992,439)	(933,041)
Receipts from sales and services	19,882	21,149
Net cash used in operating activities	(1,213,306)	(1,214,839)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	1,016,900	1,090,400
Membership and other non-exchange gifts and grants	208,447	195,493
Private gifts for endowment	1,126	-
Net cash provided by non-capital financing activities	1,226,473	1,285,893
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of equipment	(153,607)	(14,855)
Net cash used in capital and related financing activities	(153,607)	(14,855)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	28,537	141,665
Interest on investments	5,276	847
Purchase of investments	(148,287)	(134,011)
Net cash (used) provided by investing activities	(114,474)	8,501
Net (decrease) increase in cash and cash equivalents	(254,914)	64,700
Cash and cash equivalents - beginning of year	1,158,088	1,093,388
Cash and cash equivalents - end of year	$ 903,174	$ 1,158,088
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (1,496,866)	$ (1,536,010)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Facilities and administrative support	222,352	216,815
Depreciation expense	146,525	57,725
Change in assets and liabilities:		
Accounts receivable	4,556	3,061
Prepaid expenses	13,695	(18,738)
Accounts payable and compensated absences	(523)	(89,551)
Net pension liability and related deferred inflows and outflows of resource	28,452	38,696
Unearned revenue	(131,497)	113,163
Net cash used by operating activities	$ (1,213,306)	$ (1,214,839)

Note 1 – Organization, Nature of Operations and Reporting Entity

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

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

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

Note 2 – Summary of Significant Accounting Policies

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

Basis of Accounting. For financial reporting purposes, the Station's financial statements have been presented in a single column using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, non-exchange transactions are recognized when all applicable eligibility requirements have been met.

Statement of 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 $903,174 and $1,158,088 is held by the University on behalf of the Station in a cash management pool at June 30, 2017 and 2016, 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 $534,217 and $414,467 at June 30, 2017 and 2016, 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 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 $222,352 and $216,815 for the years ended June 30, 2017 and 2016, respectively.

Underwriting In-kind Fees. For the fiscal years ended June 30, 2017 and 2016, the Station received underwriting in-kind fees of $4,032 and $5,832. 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 include grant amounts received in excess of the grant revenue recognzed through June 30, 2017 and 2016. Unearned revenues also come 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. The Station did not have any outstanding short-term or long-term debt at June 30, 2017 and 2016.

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.

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

Net Position. The University's net position is classified as follows:

- *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 outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may 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 resources, the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

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 underwriting in-kind fees.

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.

- *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 GAAP requires management to make estimates and assumptions that affect the reported amount 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.

Reclassifications. Certain amounts in the 2016 financial statements and notes thereto have been reclassified to conform to 2017 financial statement presentation.

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, 2017 and 2016, the Foundation received $139,953 and $131,914 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 2017 and 2016, the Foundation invested permanently restricted endowment funds totaling 106,856 and $103,615, respectively, on behalf of the Station. Interest earned on endowment funds for fiscal years 2017 and 2016 not available for expenditure totaled $5,276 and $847, respectively.

Note 4 – Retirement Programs

A. 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 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. 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.

A summary of member and employer contributions to the Educational Retirement Board is provided below:

	2017	2016	2015
Employee's earning $20,000 or less:			
University contribution	13.90%	13.90%	13.90%
Employee contribution	7.90%	7.90%	7.90%
Employee's earning more than $20,000:			
University contribution	13.90%	13.90%	13.90%
Employee contribution	10.70%	10.70%	10.70%
University's contribution to ERB	$ 97,537	$ 89,438	$ 98,296

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, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. At June 30, 2017 and 2016 the Station reported liabilities of $1,624,600 and $1,563,612, respectively, for its proportionate share of the net pension liability. The proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2016. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2016, the Stations's proportion was 0.02258% which was a decrease of 0.00156% from its proportion measured as of June 30, 2015. At June 30, 2015, the Station's proportion was 0.02414% which was a decrease of 0.00027% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2017, the Station recognized a pension expense of $126,462. At June 30, 2017, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,048	$ 15,452
Changes of assumptions	33,071	-
Net difference between projected and actual earnings on pension plan investments	96,975	-
Changes in proportion and differences between Station contributions and proportionate share of contributions	9,624	73,419
Station contributions subsequent to the measurement date	97,537	-
Total	$ 244,255	$ 88,871

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:

	2016	
	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

The $97,537 reported as deferred outflows of resources related to pensions resulting from Station contributions subsequent to the measurement date of June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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 Ending June 30		
2018	$	2,897
2019		5,794
2020		25,508
2021		23,648
	$	57,847

Actuarial assumptions: As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year June 30, 2016 using generally accepted actuarial principles. Specifically, the liabilities measured as of June 30, 2016 incorporate the following assumptions:

All members with an annual salary of more than $20,000 will contribute 10.70% during the fiscal year ended 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.

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

Inflation	3.00%
Salary Increases	Composition; 3% inflation, plus .75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75% real rate of return
Average of Expected Remaining Service Lives	3.77 years
Mortality	RP-2000 Employee Mortality Table, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%, using Scale BB
Retirement Age	Experienced-based table rates based on age and service, adopted by board on June 12, 2015.
Cost-of-living increases	2% per year, compounded annually
Payroll growth	3.5% per year
Contribution accumulation	5.5% increase per year for all years prior to the valuation date
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service
Acturial Cost Method	Entry Age Normal

The long-term expected rate of return on pension plan investments is determined annually using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the taget asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Equities - Domestic	20%	8.00%
Equities - International	15%	8.57%
Fixed Income	28%	4.35%
Alternatives	36%	7.38%
Cash	1%	3.25%
Total	100%	

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2016 and June 30, 2015. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore, the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the 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 tables show the sensitivity of the net pension liability to changes in the discount rate as of fiscal year end 2017 and 2016. 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.

	2017		
	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Station's proportionate share of the net pension liability	$ 2,151,745	$ 1,624,600	$ 1,187,219

	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

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, 2016 and 2015 which are publicly available at www.erb.org.

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, 2017 was as follows:

	Balance July 1 2016	Additions	Transfers	Retirements	Balance June 30 2017
Equipment	$ 4,047,351	$ 162,005	$ -	$ (110,189)	$ 4,099,167
Depreciation	(3,648,141)	(146,525)	-	101,791	(3,692,875)
Equipment, net	$ 399,210	$ 15,480	$ -	$ (8,398)	$ 406,292

For the year ended June 30, 2017, the Station traded equipment having a total net book value of $8,398

for which the Station received a credit towards the purchase of new equipment.

The changes in the capital asset balance for the year ended June 30, 2016 was as follows:

	Balance July 1 2015	Additions	Transfers	Retirements	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

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 coverage. Risk Management program liability 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.

Schedule 1 - Schedule of 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.

Schedule of Proportionate Share of Net Pension Liability - ERB Plan

	2017	2016	2015
Station's proportion of the net pension liability	0.02258%	0.02414%	0.02387%
Station's proportion share of the net pension liability	$ 1,624,600	$ 1,563,612	$ 1,361,781
Station's covered-employee payroll	$ 643,440	$ 683,466	$ 657,860
Station's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	252.49 %	228.78 %	207.00 %
Plan fiduciary net position as a percentage of the total pension liability	61.58%	63.97%	66.54%

Schedule of Employer Contributions - ERB Plan

	2017	2016	2015
Statutorily required employer contribution	$ 97,537	$ 89,438	$ 98,296
Contribution in relation to the statutorily required contribution	97,537	89,438	98,296
Contribution deficiency (excess)	$ -	$ -	$ -
Station's covered-employee payroll	701,702	643,440	683,466
Contributions as percentage of covered-employee payroll	13.90 %	13.90 %	13.90 %

Notes to Schedules:

Changes of Benefit Terms and Assumptions

There were no benefit or assumption changes adopted since the last actuarial valuation. However, the actual cost of living adjustment (COLA) was less than the expected 2.0%, which resulted in a net $138 million decrease in the overall ERB unfunded actuarial accrued liability.