

KNME-TV
(A Department of the University of New Mexico)
Financial Statements
June 30, 2017 and 2016
(With Report of Independent Auditors Thereon)

KNME-TV
(A Department of the University of New Mexico)

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
KNME-TV
and
Mr. Timothy Keller
New Mexico State Auditor:

Report on the Financial Statements

We have audited the accompanying financial statements of KNME-TV (the Station) a department of the University of New Mexico (UNM), which comprise the statement of net position as of June 30, 2017 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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.

The Board of Directors
KNME-TV

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Station, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The financial statements of the Station as of June 30, 2016 and 2015 were audited by other auditors whose report dated December 22, 2016, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the schedule of proportionate share of the net pension liability and employer contributions – pension on page 29 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.

Mess Adams LLP

Albuquerque, New Mexico
October 10, 2017

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Management's Discussion and Analysis (Unaudited)
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The following discussion and analysis provides an overview of the financial position and activities of KNME-TV (the Station) for the fiscal years ended June 30, 2017, 2016 and 2015. This discussion should be read in conjunction with the accompanying financial statements and notes. Additional information can be found in the Station's annual report to the Corporation for Public Broadcasting (CPB).

Overview of the Operations

The Station is an unincorporated entity operating under a co license issued by the Federal Communications Commission (FCC) to The University of New Mexico (UNM) and Albuquerque Public Schools (APS). The Station was created through a joint powers agreement between UNM and APS. Annually, the Station receives significant grants from the CPB, a private, nonprofit corporation created by Congress in 1967. Its mission is to facilitate the development of, and ensure universal access to, noncommercial high quality programming and educational telecommunications services.

Overview of the Financial Statements

The statements of net position include the assets, liabilities, and net position of the Station as of the end of the fiscal year. It is a point in time statement and provides both long term and short term fiscal information about the Station's investments in resources (assets), obligations (liabilities), and net position (assets minus liabilities). It also provides the basis for evaluating the capital structure of the Station and assessing its liquidity and financial flexibility.

The statement of revenues, expenses, and changes in net position present the results of operations of the Station for the fiscal years ended June 30, 2017, 2016 and 2015. It includes both the operating and nonoperating revenues and expenses. This statement measures the activity of the Station's telecommunications, education, and outreach services and can be used to determine whether the Station has recovered all its costs through member donations, business underwriting support, grants, production services, and other revenue generating activities.

The statement of cash flows provides information about the sources and uses of cash by the Station. The statement reports cash receipts, cash payments, and net changes in cash resulting from operational, fund raising, and business activities, and the change in cash during the reporting period. It is summarized in categories consisting of operating, capital financing, noncapital financing, and investing activities.

The notes to the financial statements provide required disclosures and other information essential to a full understanding of material data provided in the financial statements. The notes present information about the Station's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

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Condensed Financial Information

	Year ended June 30		
	2017	2016	2015
Consolidated financial information:			
Current assets	\$ 7,290,481	7,989,750	7,836,589
Restricted assets	588,317	638,118	771,633
Capital assets, net	438,136	631,067	1,135,311
Other noncurrent assets	405,792	446,093	513,336
Total assets	<u>8,722,726</u>	<u>9,705,028</u>	<u>10,256,869</u>
Deferred outflows of resources	820,133	572,218	429,403
Current liabilities	2,611,102	3,850,291	4,486,304
Noncurrent liabilities	5,871,359	5,694,728	5,040,126
Total liabilities	<u>9,302,594</u>	<u>10,117,237</u>	<u>9,955,833</u>
Deferred inflow of resources	372,908	129,455	530,489
Net position:			
Net investment in capital assets	438,136	631,067	1,135,311
Restricted	639,258	638,118	771,633
Unrestricted (deficit)	<u>(389,904)</u>	<u>(666,413)</u>	<u>(1,277,591)</u>
Total net position	<u>687,490</u>	<u>602,772</u>	<u>629,353</u>
Statement of revenues, expenses, and changes in net position:			
Total operating revenues	8,719,920	8,600,278	8,807,195
Total operating expenses	9,951,521	9,779,231	10,312,020
Total nonoperating revenues	1,316,320	1,152,372	1,212,383
Total other revenues	<u>—</u>	<u>—</u>	<u>13,182</u>
Change in net position	<u>\$ 84,719</u>	<u>(26,581)</u>	<u>(279,260)</u>

Current Assets and Liabilities

Current assets include cash and other assets that are deemed to be consumed or convertible to cash within one year. Cash, investments, and prepaid broadcast rights are the most significant current assets of the Station totaling \$7,110,699, \$7,715,475 and \$7,484,326, as of June 30, 2017, 2016 and 2015, respectively. Total current assets of \$7,290,481 and \$7,989,750 at June 30, 2017 and 2016, respectively, decreased from the June 30, 2015 current assets of \$7,836,589 largely due to an excess short-term funds were moved to an interest bearing account.

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Current liabilities include amounts and obligations due by the Station within one year, and are primarily made up of accounts payable, accrued payroll and related liabilities, and unearned revenue. Unearned revenue was \$2,378,569, \$2,773,591 and \$2,843,450 at June 30, 2017, 2016 and 2015, respectively. In fiscal years 2017 and 2016, unearned revenue decreased by \$395,022 and \$69,859, respectively, due to less unexpended grant revenue received.

At June 30, 2017, 2016 and 2015, the Station's current assets of \$7,290,481, \$7,989,750, and \$7,836,589, were sufficient to cover current liabilities of \$2,611,102 (current ratio of 2.79), \$3,850,291 (current ratio of 2.04), and \$4,486,304 (current ratio of 1.75), respectively.

Restricted Assets

For the fiscal years ended June 30, 2017, 2016 and 2015, restricted asset balances were \$588,317, \$638,118, and \$771,633, respectively. The \$49,801 decrease from June 30, 2016 to June 30, 2017 and the \$133,515 decrease from June 30, 2015 to June 30, 2016 resulted from an increase in expenditures made from the expendable earnings generated from the investments.

Noncurrent Assets

Capital assets are the largest component of noncurrent assets. Capital assets, net of accumulated depreciation, decreased from \$631,067 at June 30, 2016 to \$438,136 at June 30, 2017, mainly due to depreciation expense of \$294,093 offset by additions of \$101,162 (Note 5). Additionally, equipment with a net book value of \$0 and \$2,869, respectively, was disposed of in the fiscal years ended June 30, 2017 and 2016.

Capital assets, net of accumulated depreciation, decreased from \$1,135,311 at June 30, 2015 to \$631,067 at June 30, 2016, mainly due to depreciation expense of \$504,244 offset by additions of \$32,360 (Note 5).

As a result of scheduled amortization, the noncurrent portion of a prepaid lease has decreased \$39,850 each year, from \$173,819 to \$133,969 as of June 30, 2016 and 2017, respectively (Note 4).

Deferred Outflows of Resources

Deferred outflows of resources increased by \$247,915 and \$142,815, respectively, as of the fiscal years ended June 30, 2017 and 2016 due to the Station's adoption of GASB Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* in fiscal year 2015.

Noncurrent Liabilities

Noncurrent liabilities increased \$176,631 and \$680,700, respectively as of the years ended June 30, 2017 and 2016 due to the recording of a \$5,871,359 and \$5,694,728, respectively, net pension liability for its proportionate share of the total net pension liability of the New Mexico Educational Retirement Board (ERB) defined benefit pension plan, as required by the adoption of GASB Statement 68.

Deferred Inflows of Resources

Also as a result of the adoption of GASB 68 in fiscal year 2015, deferred inflows of resources related to pensions increased by \$243,453 from \$129,455 to \$372,908 and decreased by \$401,034 from \$530,489 to \$129,455, respectively, as of the fiscal years ended June 30, 2017 and 2016. Additional detailed information may be found in note 8 and Required Supplemental Information – Pension.

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Net Position

Total net position is classified as restricted or unrestricted based on uses stipulated in contract or grant agreements as well as donor instructions. Restricted nonexpendable assets, which include endowments, and the related restricted expendable spending distributions totaled \$639,258, \$638,118 and \$771,633 at June 30, 2017, 2016 and 2015, respectively.

Unrestricted net position may be used to meet all operating needs of the Station. The overall net position of the Station increased from \$602,772 as of June 30, 2016 to \$687,490 as of June 30, 2017 primarily due to the fiscal year 2017 results of operations. Overall net position decreased from \$629,353 at June 30, 2015 to \$602,772 at June 30, 2016 primarily due to the fiscal year 2016 results of operations.

Results of Operations

Operating revenues of \$8,719,920 in the current fiscal year increased by approximately 1.4% from the prior fiscal year operating revenues of \$8,600,278 as a result of significant increases in membership income and business and industry contributions; which served to offset the reductions in administrative support from the University of New Mexico, other grants, contract production services, and spectrum royalties.

Operating revenues of \$8,600,278 for fiscal year 2016 decreased by approximately 2.4% from the prior fiscal year operating revenues of \$8,807,195 as a result slight decreases in grants from the Corporation for Public Broadcasting, business and industry support, and support from the University of New Mexico. These decreases were partially offset by increases in membership income, other grants and production services.

Operating revenues of \$8,807,195 for fiscal year 2015 increased by approximately 8.7% from the fiscal year 2014 operating revenues of \$8,105,357 as a result of an increase in membership income, an increase in support from the University of New Mexico, an increase grants from the Corporation of Public Broadcasting and other funders, and an increase in production services. These increases were partially offset by decreases in support from business and industry.

Total operating expenses for the fiscal years ended June 30, 2017 of \$9,951,522 increase from the operating expenses for fiscal year ended June 30, 2016 of \$9,779,231 primarily due increased equipment purchases which will be commissioned in fiscal year 2018. Operating expenses for the fiscal years ended June 30, 2016 of \$9,779,231 decrease from the operating expenses for fiscal year ended June 30, 2015 of \$10,312,020 primarily due to a decrease in depreciation expense.

Total operating expenses for the fiscal years ended June 30, 2016 of \$9,779,231 decrease from the operating expenses for fiscal year ended June 30, 2015 of \$10,312,020 primarily due to a decrease in depreciation expense. Operating expenses of \$10,312,020 for fiscal year ended June 30, 2015 increased from the fiscal year ended June 30, 2014 operating expenses of \$9,576,300, due to increase in expenses in both program services and support services, offset by decreased depreciation expense.

The Station's management and general support services expenses, which include wages, retirement, and insurance, as well as support from UNM, were 24.3%, 30.8% and 30.2% of total operating expenses for fiscal years ended June 30, 2017, 2016 and 2015, respectively. Support from UNM includes noncash administrative support as well as utility and infrastructure costs paid. The administrative support from UNM decreased from

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\$2,016,448 in 2016 to \$1,534,698 in 2017 due to a calculated decrease in noncash administrative support. The administrative support from UNM decreased from \$2,133,937 in 2015 to \$2,016,448 in 2016 due to a calculated decrease in noncash administrative support.

Factors Affecting Future Periods

The Station operating budget is heavily dependent on support from its members and from the business community.

Contacting the Department's Financial Management

If you have questions about this report or need additional financial information, you may contact the Director of Finance and Administration at KNME-TV, 1130 University Blvd. NE, Albuquerque, New Mexico 87102 or (505) 277 2121.

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Statements of Net Position

June 30, 2017 and 2016

Assets	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 4,804,330	5,656,439
Investments	1,720,169	1,476,939
Accounts receivable, less allowance for doubtful accounts of \$61,249 in 2017 and \$31,600 in 2016, respectively	57,945	174,781
Misc receivable	38,833	-
Trade receivable	28,020	-
Grants receivable	5,000	1,500
Prepaid broadcast rights (Note 3)	586,200	582,100
Prepaid lease (Note 4)	39,850	39,850
Prepaid, other	4,056	4,603
Other assets	6,078	53,538
Total current assets	<u>7,290,481</u>	<u>7,989,750</u>
Restricted assets:		
Investments	588,317	638,118
Noncurrent assets:		
Capital assets (Note 5):		
Buildings	890,513	890,513
Equipment	10,564,896	10,474,944
	11,455,409	11,365,457
Accumulated depreciation	<u>(11,017,273)</u>	<u>(10,734,390)</u>
Capital assets, net	438,136	631,067
Prepaid broadcast rights (Note 3)	271,823	272,274
Prepaid lease (Note 4)	133,969	173,819
Total noncurrent assets	<u>843,928</u>	<u>1,077,160</u>
Deferred outflows of resources:		
Related to pensions	820,133	572,218
Total assets and deferred outflows of resources	<u>\$ 9,542,859</u>	<u>10,277,246</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 48,714	900,538
Accrued payroll and related liabilities	183,819	176,162
Unearned revenue	2,378,569	2,773,591
Total current liabilities	2,611,102	3,850,291
Noncurrent liabilities:		
Net pension liability	5,871,359	5,694,728
Deferred inflow of resources:		
Related to pensions	372,908	129,455
Total liabilities and deferred inflows of resources	<u>8,855,369</u>	<u>9,674,474</u>
Commitments and contingencies (Notes 6, 8, and 9)		
Net position:		
Net investment in capital assets	438,136	631,067
Restricted:		
Expendable	50,941	83,498
Nonexpendable	588,317	554,620
Unrestricted (deficit)	<u>(389,904)</u>	<u>(666,413)</u>
Total net position	<u>687,490</u>	<u>602,772</u>

See accompanying notes to financial statements.

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Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Membership income	\$ 4,132,102	3,047,970
Business and industry contributions	417,518	309,359
Albuquerque public schools funding	20,000	20,000
Corporation for Public Broadcasting grants	1,694,739	1,640,075
University of New Mexico administrative support (Note 7)	1,534,698	2,016,448
Other grants	132,765	179,893
Production services	322,885	629,494
Spectrum royalties and translator leases	401,454	735,588
Video/DVD sales	8,199	9,704
Other	55,560	11,747
Total operating revenues	<u>8,719,920</u>	<u>8,600,278</u>
Operating expenses:		
Program services:		
Programming and production	3,216,203	3,103,076
Broadcasting and engineering	1,830,231	1,161,022
Promotions and public information	595,660	490,161
Total program services	<u>5,642,094</u>	<u>4,754,259</u>
Support services:		
Management and general	2,414,081	3,015,150
Fundraising and membership	1,405,093	1,284,606
Underwriting and grant solicitation	196,161	191,681
Total support services	<u>4,015,335</u>	<u>4,491,437</u>
Depreciation	294,092	533,535
Total operating expense	<u>9,951,521</u>	<u>9,779,231</u>
Operating loss	<u>(1,231,601)</u>	<u>(1,178,953)</u>
Nonoperating revenues:		
State of New Mexico appropriation	1,091,200	1,170,200
Gain (loss) on investments	225,119	(17,828)
Total nonoperating revenue	<u>1,316,319</u>	<u>1,152,372</u>
Change in net position	84,718	(26,581)
Net position, beginning of year	<u>602,772</u>	<u>629,353</u>
Net position, end of year	<u>\$ 687,490</u>	<u>602,772</u>

See accompanying notes to financial statements.

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Statements of Cash Flows
Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Subscriptions	\$ 4,132,102	3,047,970
Other operating revenues	2,287,060	3,230,124
Business and industry contributions	335,928	154,335
Payments to employees for services	(3,355,843)	(3,413,228)
Payments to suppliers for goods and services	(4,298,942)	(3,095,542)
Net cash used in operating activities	(899,695)	(76,341)
Cash flows from noncapital financing activities:		
Cash received from State of New Mexico Appropriation	1,091,200	1,170,200
Payments for prepaid broadcast rights	(974,142)	(1,009,219)
Net cash provided by noncapital financing activities	117,058	160,981
Cash flows from capital financing activities:		
Purchase of capital assets	(101,161)	(32,160)
Net cash used in capital financing activities	(101,161)	(32,160)
Cash flows from investing activities:		
Purchase of investments	(447,907)	(375,024)
Proceeds from sale of investments	254,477	597,812
Investment income, net	225,119	(17,826)
Net cash provided by investing activities	31,689	204,962
Net (decrease) increase in cash and cash equivalents	(852,109)	257,442
Cash and cash equivalents, beginning of year	5,656,439	5,398,997
Cash and cash equivalents, end of year	\$ 4,804,330	5,656,439

See accompanying notes to financial statements.

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Statements of Cash Flows
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	<u>2017</u>	<u>2016</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (1,231,601)	(1,178,953)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	294,092	533,535
Amortization of broadcast rights	970,494	973,629
Loss on disposal of equipment	-	2,869
Changes in assets and liabilities:		
Accounts receivable	116,835	20,728
Misc Receivable	(38,833)	-
Trade Receivable	(28,020)	-
Grants receivable	(3,500)	78,853
Unearned revenue	(395,023)	(95,958)
Prepaid lease	39,850	39,850
Prepaid other	548	(492)
Other assets	47,461	(21,098)
Net impact of GASB 68 deferred ins/outs/net pension expense	172,171	136,850
Accounts payable	(851,825)	(528,628)
Accrued expenses	7,656	(37,526)
Net cash used in operating activities	<u>\$ (899,695)</u>	<u>(76,341)</u>

See accompanying notes to financial statements.

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Note 1. Nature of Business

KNME-TV (the Station) is an unincorporated entity operating under a co license issued in 1958 by the Federal Communications Commission (FCC) to the University of New Mexico (UNM) and Albuquerque Public Schools (APS) and is administered under a 1968 (and amended in 1978) Joint Powers agreement between UNM and APS. The Station is a department of UNM and receives significant grants from the Corporation for Public Broadcasting (CPB) on an annual basis, which was used during the years ended June 30, 2017 and 2016, in large part, to pay Public Broadcasting Service (PBS) dues. The CPB is a private, nonprofit corporation created by Congress in 1967. Its mission is to facilitate the development of, and ensure universal access to, noncommercial high quality programming and educational telecommunications services. The Station also receives funding from the State of New Mexico.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation. The accompanying financial statements have been prepared in accordance with the accounting disclosure and reporting requirements under Governmental Accounting Standards Board (GASB) pronouncements as the Station meets the criteria of a governmental entity. The significant accounting policies are summarized below.

The Station's financial statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. Accordingly, revenue is recognized when it is earned and expenses are recognized as soon as the liability is incurred.

Operating revenues and expenses are those incurred that relate directly to the primary operations of the Station, including programming, production, and broadcasting services. All other revenues and expenses are considered nonoperating.

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Investments. The Station's cash and investment balances are on deposit with its fiscal agent. UNM serves as the fiscal agent for the Station through which the Station participates in a pooled account maintained by UNM. As fiscal agent, UNM requires the financial institution holding these pooled funds to maintain minimum collateral amounts. Interest is allocated monthly to the Station's account based on its balance in the pooled bank account at the end of the preceding month. Custodial risk classifications are not available at the departmental level. For purposes of the statements of cash flows, the Station considers all restricted and unrestricted cash accounts and all highly liquid securities and investments with an original maturity of three months or less to be cash equivalents. Certain revenue and expense accounts include noncash activity, which has been excluded from operating revenues and expenses in the statements of cash flows. At June 30, 2017 and 2016, the Stations cash and cash equivalents balance was \$4,804,330 and \$5,656,439, respectively.

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Notes to Financial Statements
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In accordance with UNM and the Foundation's Memorandum of Agreement, the endowment assets of the Station are commingled for investment purposes whenever possible in the Consolidated Investment Fund (CIF). At June 30, 2017 and 2016, the Stations portion of CIF and related spending accounts was \$2,308,486 (\$588,317, restricted) and \$2,115,057 (\$638,118, restricted), respectively. UNM has established a CIF Endowment and Management Investment Policy for authorizing and spending investment income.

The deposits and investments of the Station are exposed to certain inherent risk, such as credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The deposits and investments with the CIF endowment fund are exposed to risk that have the potential to result in losses. Those risk and their definitions are:

- Credit risk – the risk an insurer or counterparty to an investment will not fulfill its obligation.
- Custodial risk – the risk that, in the case of default by the counterparty, a government will be unable to recover its deposit/investment or collateralizing securities in the possession of an outside party.
- Concentration risk – the risk of loss attributable to the size of a government's investment in a single issuer.
- Interest rate risk – the risk that changes in interest rates will adversely affect the fair value of investments.
- Foreign currency risk – the risk that changes in exchange rates will adversely affect the fair value of a deposit or investment.

As UNM serves as the fiscal agent for the Station through which the Station participates in a pooled CIF maintained by UNM, the amounts reported represent UNM's best estimate of fair value of investments. UNM has established methods and significant assumptions used to estimate the fair value of its investments, and the nature of investments reported at amortized cost. Details of the CIF can be found in the audited financial statements of UNM located at www.unm.edu.

Accounts Receivable (including Miscellaneous Receivables). The allowance for doubtful accounts is based on historical collection experience and management's evaluation of the collectibility of the accounts receivable. Management reviews accounts receivable and adjusts the allowance based on identified collection issues. Based on the information available, management believes the allowance for doubtful accounts as of June 30, 2017 and 2016 is adequate.

Grants Receivable and Revenue. Grants receivable represents the unfunded portion of awards earned by the Station. Management believes these amounts to be fully collectible and, therefore, has provided no allowance for doubtful grant accounts as of June 30, 2017 and 2016.

The CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services.

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According to the Communications Act, CSG funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping, audits, financial reporting, protection of donor list, and licensee status with the FCC.

Trade Receivable. Trade receivable represents the monetary value of contractually obligated goods and services available to the Station in return for promotional consideration provided. Management reviews the trade receivable and adjusts the amount based upon goods and services rendered and received. Management believes these amounts to be fully collectible; therefore, has provided no allowance for doubtful trade accounts as of June 30, 2017 and 2016.

Broadcast Rights. The Station acquires broadcast rights for programs or a series of programs produced for public television. The cost of these rights is amortized using the straight line method based on the number of future broadcasts estimated by management over their remaining contractual lives.

Capital Assets. Capital assets are recorded at original cost or, if donated, at estimated fair value on the date of donation. The Station's capitalization policy for moveable equipment includes all projects and/or items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is calculated using the straight line method over the estimated useful lives of the assets, generally 50 years for buildings and 3 to 15 years for equipment. Depreciation is not allocated by functional expense in accompanying financial statements.

Unearned Revenue. Unearned revenue represents cash advances received from third parties, which have eligibility requirements. Revenue will be recognized once all eligibility requirements have been met.

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 Plan (ERP) and additions to/from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. 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. Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- *Net Investment in Capital Assets* – This component consists of capital assets, net of accumulated depreciation. The Station does not have any related debt.

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- *Restricted* – This component consists of funds on which external restrictions have been imposed that limit the purpose for which such funds can be used. Certain items that are subject to donor restrictions require that only the income be used by the Station and that the principal be held in perpetuity. These items are classified as restricted, nonexpendable. Restricted, expendable net position includes items that are donor or third party restricted for a specific purpose.
- *Unrestricted* – This component consists of assets that do not meet the definition of “restricted” or “invested in capital assets.”
- When an expense is incurred that can be paid using either restricted or unrestricted resources, the Station’s policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

Contributions. Operating revenues and expenses include activities with characteristics of third party exchange transactions. Goods and services donated to the Station that the Station would otherwise have to pay cash for are recorded as in kind contributions. The Station recognized in kind contribution revenue of \$81,590 and \$155,024, respectively, during the fiscal years ended June 30, 2017 and 2016, which are included within the business and industry contributions line item.

Indirect Support. The Station receives indirect administrative, custodial, and utility expense support from UNM. The amount of support, recorded as both revenue and expense, is determined by a formula accepted by the CPB. Additional detailed information may be found in note 7.

Income Taxes. As an instrumentality of the State of New Mexico, the income generated by UNM in the exercise of its essential governmental functions is excluded from federal income tax under Internal Revenue Code (IRC) Section 115. However, income generated from activities unrelated to the exempt purpose of UNM would be subject to tax under Internal Revenue Code (IRC) Section 511(a)(2)(B).

Note 3. Prepaid Broadcasting Rights

As a normal course of business, the Station pays for rights to broadcast programming in advance. At June 30, 2017 and 2016, the current and noncurrent portion of the prepaid broadcast rights was as follows:

	<u>Current</u>	<u>Noncurrent</u>
2017	\$ 586,200	271,823
2016	582,100	272,274

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Note 4. Prepaid Lease

During 2002, the Station entered into a 20 year lease for digital tower facilities, which has been accounted for as an operating lease. The terms of the lease provide an option for the Station to continue the tower leases for an additional two consecutive 10 year periods. At inception, the Station prepaid the entire lease in the amount of \$787,500. The amount of prepaid lease expensed during the years ended June 30, 2017 and 2016 was \$39,850. At June 30, 2017 and 2016, the remaining current and noncurrent portion of the prepaid lease was as follows:

	<u>Current</u>	<u>Noncurrent</u>
2017	\$ 39,850	133,969
2016	39,850	173,819

Note 5. Capital Assets

Capital asset transactions consisted of the following during the years ended June 30, 2017 and 2016:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>End of year</u>
Building	\$ 890,513				890,513
Equipment	10,474,945	101,161		(11,210)	10,564,896
	11,365,458	101,161	—	(11,210)	11,455,409
Accumulated depreciation	(10,734,391)	(294,092)		11,210	(11,017,273)
	<u>\$ 631,067</u>	<u>(192,931)</u>	<u>—</u>	<u>—</u>	<u>438,136</u>

	<u>Beginning of year</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>End of year</u>
Building	\$ 890,513		—	—	890,513
Equipment	10,629,880	32,160	—	(187,095)	10,474,945
	11,520,393	32,160	—	(187,095)	11,365,458
Accumulated depreciation	(10,385,082)	(533,535)	—	184,226	(10,734,391)
	<u>\$ 1,135,311</u>	<u>(501,375)</u>	<u>—</u>	<u>(2,869)</u>	<u>631,067</u>

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Note 6. Operating Leases and Royalties

Operating Lease. The Station leases a portion of its administrative facilities from UNM on a month to month basis; the annual cost was \$48,000 and \$48,000, respectively, for the years ended June 30, 2017 and 2016.

Royalty Revenue. On October 17, 2006, the Station entered into a long term de facto agreement with People's Choice TV of Albuquerque, Inc. a wholly owned subsidiary of Sprint Nextel Corporation (Sprint).

The agreement allows Sprint to use the Station's excess capacity of the spectrum, as permitted pursuant to FCC Rules, for use in wireless telecommunications services, and takes advantage of the increased flexibility afforded under rules and policies adopted by the FCC. The objective of the agreement is to promote a substantial reconfiguration of the transmission system to permit a more efficient use of the EBS and BRS spectrums.

The agreement specifies an initial term of 10 years, with annual payments from Sprint totaling \$136,000 per year, and options for two additional terms of 10 years each. A "One Time Royalty Fee" of \$3,500,000 was received in fiscal year 2007 with additional \$1,000,000 payment on the 5th anniversary and a \$500,000 payment on the 9th anniversary. All payments are being amortized on a straight-line basis by the Station over the life of the initial lease. "Monthly Royalty Fees" totaling \$299,668 and \$626,000, respectively, were received during fiscal years 2017 and 2016 pursuant to the agreement.

Future minimum royalty payments excluding options to renew are as follows:

2018	\$	138,000
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Note 7. Related Party Transactions

UNM Administrative Support. UNM administrative support is based on allocation of actual indirect costs from UNM; the related expenses are recorded as support services. This method of reporting indirect costs conforms to current CPB guidelines. During the year ended June 30, 2017, and 2016 UNM contributed \$1,534,698 and \$2,016,448, respectively.

APS Funding. During the years ended June 30, 2017 and 2016, APS contributed funding of \$20,000 each year, toward the Station's operating budget.

Note 8. Retirement Plans and Other Postemployment Benefits

(a) General Information about the Pension Plan

Plan Description: All of the Station's full time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The New Mexico ERA was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement

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Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can also be found on NMERB's website at www.nmerb.org/annual_reports.html.

The plan is a cost sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

The Plan is considered a component unit of the State's financial reporting entity. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan which is a pension benefit trust fund of the State of New Mexico. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an education program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

Benefits Provided: A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five year period, whichever is greater.

Summary of Plan Provisions for Retirement Eligibility: For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member's age and earned service credit add up to the sum of 75 or more;
- the member is at least sixty five years of age and has five or more years of earned service credit;
- the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes reemployed after July 1, 2010 is as follows:

- The member's age and earned service credit add up to the sum of 80 or more;

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- the member is at least sixty seven years of age and has five or more years of earned service credit;
- or the member has service credit totaling 30 years or more.

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements:

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55;
- the member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits;
- the member's age is 67, and has earned 5 or more years of service credit.

Forms of Payment: The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

Benefit Options: The Plan has three benefit options available:

- Option A – Straight Life Benefit- The single life annuity option has no reduction to the monthly benefit; and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- Option B – Joint 100% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- Option C – Joint 50% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member

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would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

Disability Benefit: An NMERB member is eligible for disability benefits if they have acquired at least ten years of earned service credit and is found totally disabled. The disability benefit is equal to 2% of the member's Final Average Salary (FAS) multiplied by the number of years of total service credits. However, the disability benefit shall not be less than the smaller of (a) one-third of the member's FAS or (b) 2% of the member's FAS multiplied by total years of service credit projected to age 60.

Cost of Living Adjustment (COLA): All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010.
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013.
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013.

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%.

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

Refund of Contributions: Members may withdraw their contributions only when they terminate covered employment in the State and their former employer(s) certification determination has been received by NMERB. Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

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Contributions: For the fiscal year ended June 30, 2017 and 2016 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%	0.00%
2016	7-1-15 to 6-30-16	Over \$20K	10.70%	13.90%	24.60%	0.00%
2016	7-1-15 to 6-30-16	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by actios of the New Mexico Legislature. The Station's contributions to ERB for the fiscal years ended June 30, 2017, 2016 and 2015 were \$323,363, \$345,614 and \$316,858, respectively, which equals the amount of the required contributions for the fiscal year.

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

At June 30, 2017, the Station reported a liability of \$5,871,359 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employers portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required and adjustment to the roll-forward liabilities as of June 30, 2016. The Station's proportion of the net pension liability was based on a projection of the Station's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the Station reported a liability of \$5,694,728 for their proportionate shares of the net pension liability. At June 30, 2016, the Station's proportion was 0.08159% which was an decrease of 0.00633 percent from its proportion measured as of June 30, 2015. At June 30, 2015, the Station's proportion was 0.08792 percent which was an decrease of 0.00004 percent from its proportion measured as of June 30, 2014.

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For the years ended June 30, 2017 and 2016, the Station recognized pension expense of \$172,170 and \$458,605, respectively.

At June 30, 2017, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 25,472	55,844
Changes of assumptions	119,517	—
Net difference between projected and actual earnings on pension plan investments	350,471	—
Change in proportion and differences between Station contributions and proportionate share of contributions	1,310	317,064
Station contributions subsequent to the measurement date	<u>323,363</u>	<u>—</u>
Total	<u><u>\$ 820,133</u></u>	<u><u>372,908</u></u>

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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	\$ —	105,357
Changes of assumptions	195,872	—
Net difference between projected and actual earnings on pension plan investments	—	24,098
Change in proportion and differences between Station contributions and proportionate share of contributions	54,592	—
Station contributions subsequent to the measurement date	321,754	—
Total	\$ 572,218	129,455

The \$372,908 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 ending 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	\$	16,263
2019		8,906
2020		79,094
Total	\$	104,263

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%	
Salary increases	Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus, a step-rate promotional increase for members with less than 10 years of service.	

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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. 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 is 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.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years

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Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	2% per year, compounded annually.
Payroll growth	3.5% per year (with no allowance for membership growth).
Contribution accumulation	5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of Service

The actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on June 12, 2015 in conjunction with the six-year actuarial experience study period ending June 30, 2014. At that time, the Board adopted several assumption changes, which included a decrease in the annual wage inflation rate from 4.25% to 3.75%, and changes to the mortality rates, disability rates, and retirement rates for members who joined the plan after June 30, 2010. In addition, the board lowered the population growth rate assumption to zero.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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 target 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	35%	
Fixed Income	28%	
Alternatives	36%	
Cash	1%	
	<u>100%</u>	<u>7.75%</u>

Discount rate. A single discount rate of 7.75% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.75%, compounded annually, net of expense. 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Station's proportionate share of the net pension liability to changes in the discount rate. The following presents Station's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Station's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

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	Year Ended June 30, 2017		
	1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
Station's proportionate share of the net pension liability	\$ 7,776,758	5,871,359	4,290,802
	Year Ended June 30, 2016		
	1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
Station's proportionate share of the net pension liability	\$ 7,662,636	5,694,728	4,021,479

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued NMERB'S financial reports. The reports can be found on NMERB's Web site at https://www.nmerb.org/Annual_reports.html.

(c) Other Postemployment Benefits

As a department of the University of New Mexico, Station employees and eligible dependents are offered health, dental, and life insurance coverage. Additionally, retirees of the Station are offered postemployment health benefits under plans administered by UNM. The liability is recorded on UNM's books and not allocated at the department level. However, employees hired after June 30, 2017 and 2016 will not be eligible for other postemployment benefits other than basic life insurance. The authority to establish and amend the benefit provisions and contribution requirements rests with the University of New Mexico's Board of Regents. Details of the plans can be found in the audited financial statements of UNM located at www.unm.edu.

Note 9. Commitments and Contingencies

Federal Communications Commission (FCC). UNM and APS jointly hold an FCC license, which permits the Station to operate broadcast services on channels 5 and 35. This joint license was renewed for an additional eight years to October 1, 2022. UNM solely holds an FCC license to operate broadcast services on channel 9, which was also renewed to October 1, 2022.

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Leases. The Station has various leases for sites supporting transmitter equipment. These leases require nominal annual fees and terms do not extend beyond 10 years.

Insurance Coverage. The Station is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. As a department of UNM, the Station is insured through the State of New Mexico Risk Management Program, which provides general liability, auto liability, physical damage, and workers' compensation insurance. The Station's exposure is limited to \$1,000 per any first party incurred property loss, with the exception of theft, which has a \$5,000 deductible.

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REQUIRED SUPPLEMENTARY INFORMATION
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Schedule of Proportionate Share of Net Pension Liability and Employer Contributions

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 Years 2015 was the first year of implementation, therefore, only three years is 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

	Fiscal year Measurement date	2017 2016	2016 2015	2015 2014
Station's proportion of the net pension liability		0.08159%	0.08792%	0.08788%
Station's proportionate share of the net pension liability	\$	5,871,359	5,694,728	5,014,028
Station's covered – employee payroll		2,333,225	2,486,430	2,409,854
Station's proportionate share of the net pension liability as a percentage of its covered – employee payroll		251.64%	229.03%	208.06%
Plan fiduciary net position as a percentage of the total pension liability		91.86%	63.97%	66.54%

Schedule of Employer Contributions – ERB Plan

	2017	2016	2015
Statutorily required employer contribution	\$ 324,318	321,515	345,614
Contributions in relation to the statutorily required contribution	323,363	321,754	345,614
Contribution deficiency (excess)	\$ 955	(239)	—
Station's covered – employee payroll	\$ 2,333,225	2,313,059	2,486,430
Contributions as a percentage of covered – employee payroll	13.86%	13.91%	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 unfunded actuarial accrued liability.