KNME-TV

(A Department of the University of New Mexico)

Financial Statements

June 30, 2018 and 2017

(With Report of Independent Auditors Thereon)

MOSSADAMS

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

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Report of Independent Auditors

The Board of Directors
KNME-TV

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, 2018 and 2017 and the related statements of revenues, expenses, and changes in net position and cash flows for the years 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 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 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 audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2018, and the changes in its financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Adoption of New Accounting Pronouncement

As discussed in Note 12 to the financial statements, effective July 1, 2018, the University adopted Governmental Accounting Standards Board (GASB) *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, resulting in retroactively adjusting the financial statements for all prior periods presented. Our opinion is not modified with respect to this matter.

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 schedule of proportionate share of the net pension liability and employer contributions – pension on pages 38 and 39 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.

Management has omitted the schedule of changes in the net OPEB Liability and related ratios- other postemployment benefits, schedule of contributions-other postemployment benefits and schedule of investment returns-other postemployment benefits, 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. Our opinion on the basic financial statements is not affected by this missing information.

Moss Adams LLP

Albuquerque, New Mexico
December 5, 2018

The following discussion and analysis provide an overview of the financial position and activities of KNME-TV (the Station) for the fiscal years ended June 30, 2018, 2017 and 2016. 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, deferred inflows and outflows, 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. 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.

Condensed Financial Information

	Year ended June 30		
	2018	As adjusted 2017	As adjusted 2016
Consolidated financial information:			
Current assets	$ 7,112,187	7,290,481	7,989,750
Restricted assets	605,520	588,317	638,118
Capital assets, net	1,022,455	438,136	631,067
Other noncurrent assets	364,305	405,792	446,093
Deferred outflows of resources	2,999,667	848,271	572,218
Total assets and deferred outflow of resources	12,104,134	9,570,997	10,277,246
Current liabilities	1,568,507	2,611,102	3,850,291
Noncurrent liabilities	9,573,753	6,388,443	6,143,674
Deferred inflow of resources	356,156	372,908	129,455
Total liabilities and deferred inflow of resources	11,498,416	9,372,453	10,123,420
Net position:			
Net investment in capital assets	1,022,454	438,136	631,067
Restricted	665,577	639,258	638,118
Unrestricted (deficit)	(1,082,313)	(878,850)	(1,115,359)
Total net position	605,718	198,544	153,826
Statement of revenues, expenses, and changes in net position:			
Total operating revenues	6,821,196	8,719,920	8,600,278
Total operating expenses	8,624,058	9,951,521	9,779,231
Total nonoperating revenues	1,281,110	1,316,319	1,152,372
Total capital contributions	928,926	-	-
Change in net position	$ 407,174	84,718	(26,581)

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 $6,869,989, $7,110,699 and $7,715,475, as of June 30, 2018, 2017 and 2016, respectively. Total current assets of $7,112,187 and $7,290,481 at June 30, 2018 and 2017, respectively, decreased from the June 30, 2016 current assets of $7,989,750 largely due to an excess short-term funds were moved to an interest-bearing account.

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 $1,343,787, $2,378,569 and $2,773,591 at June 30, 2018, 2017 and 2016, respectively. In fiscal years 2018 and 2017, unearned revenue decreased by $1,034,782 and $395,022, respectively, due to less grant revenue received.

At June 30, 2018, 2017 and 2016, the Station's current assets of $7,112,187, $7,290,481 and $7,989,750 were sufficient to cover current liabilities of $1,568,507 (current ratio of 4.53), $2,611,102 (current ratio of 2.79), and $3,850,291 (current ratio of 2.04), respectively.

Restricted Assets

For the fiscal years ended June 30, 2018, 2017 and 2016, restricted asset balances were $665,577, $639,258 and $638,118, respectively. The $26,319 increase from June 30, 2017 to June 30, 2018 resulted from increased investment gains. The $49,801 decrease from June 30, 2016 to June 30, 2017 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, increased from $438,136 at June 30, 2017 to $1,022,455 at June 30, 2018 chiefly as the result of the purchase of a new automated broadcast transmission system, a core component of the station's operations. Capital assets 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 $252, $0 and $2,869, respectively, was disposed of in the fiscal years ended June 30, 2018, 2017 and 2016.

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 to $94,119 as of June 30, 2016, 2017 and 2018, respectively (Note 4).

Deferred Outflows of Resources

Deferred outflows of resources increased by $2,153,588 and $247,915, respectively, as of the fiscal years ended June 30, 2018 and 2017 due to the Station's adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* in fiscal year 2015.

Deferred outflows of resources decreased by $2,192 from $28,138 to $25,946 as of the fiscal years ended June 30, 2018 and 2017 due to the Stations adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018.

Noncurrent Liabilities

Noncurrent liabilities increased $3,185,310, $176,631 and $680,700, respectively as of the years ended June 30, 2018, 2017 and 2016 primarily due to the recording of a $9,080,573, $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 No. 68.

Deferred Inflows of Resources

As a result of the adoption of GASB Statement No. 68 in fiscal year 2015, deferred inflows of resources related to pensions decreased by $41,372 from $372,908 to $331,536 and increased $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, 2018, 2017 and 2016. Additional detailed information may be found in note 8, note 9 and Required Supplemental Information – Pension.

Due to the adoption of GASB Statement No. 75 in fiscal year 2018, deferred inflows of resources related to postretirement benefits other than pensions increased by $24,620 from $0 to $24,620 as of the fiscal year ended June 30, 2018.

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 $605,520, $588,317 and $638,118 at June 30, 2018, 2017 and 2016, respectively.

Unrestricted net position may be used to meet all operating needs of the Station. The overall net position of the Station decreased from $602,772 as of June 30, 2016 to $198,544 as of June 30, 2017 and increased by $407,174 as of June 30, 2018 primarily due to the fiscal year 2018 results of operations. Net position was reduced by $488,946 as of June 30, 2016 as a result of implementation of GASB Statement No. 75.

Results of Operations

Operating revenues of $6,821,196 in the current fiscal year decreased by approximately 21.7% from the prior fiscal year operating revenues of $8,719,920 as a result of timing of expenditure of the Corporation for Public Broadcasting grants, reduction of indirect administrative support from the University of New Mexico, and membership revenue.

Operating revenues of $8,719,920 in fiscal year 2017 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.

Total operating expenses for the fiscal years ended June 30, 2018 of $8,624,058 decrease from the operating expenses for fiscal year ended June 30, 2017 of $9,951,521 primarily due to realized efficiencies in programming, engineering and promotions. Depreciation expense decreased $133,967 due to equipment disposals.

Total operating expenses for the fiscal years ended June 30, 2017 of $9,951,521 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.

The Station's management and general support services expenses, which include wages, retirement, and insurance, as well as support from UNM, were 30.6%, 24.3%, and 30.8% of total operating expenses for fiscal years ended June 30, 2018, 2017 and 2016, respectively. Support from UNM includes noncash administrative support as well as utility and infrastructure costs paid. The administrative support from UNM decreased from $1,534,698 in 2017 to $885,302 in 2018 and from $2,016,448 in 2016 to $1,534,698 in 2017 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.

KNME-TV

(A Department of the University of New Mexico)

Statements of Net Position

June 30, 2018 and 2017

Assets	**2018**	**As adjusted 2017**
Current assets:		
Cash and cash equivalents	$ 4,458,642	4,804,330
Investments	1,812,578	1,720,169
Accounts receivable, less allowance for doubtful accounts of $71,931 in 2018 and $61,249 in 2017, respectively	80,254	57,945
Miscellaneous receivable	47,083	38,833
Trade receivable	33,284	28,020
Unbilled accounts receivable	220	-
Grants receivable	33,271	5,000
Prepaid broadcast rights (Note 3)	598,769	586,200
Prepaid lease (Note 4)	39,850	39,850
Prepaid, other	3,082	4,056
Other assets	5,154	6,078
Total current assets	7,112,187	7,290,481
Restricted assets:		
Investments	605,520	588,317
Noncurrent assets:		
Capital assets (Note 5):		
Buildings	890,513	890,513
Equipment	10,406,837	10,564,896
	11,297,350	11,455,409
Accumulated depreciation	(10,274,895)	(11,017,273)
Capital assets, net	1,022,455	438,136
Prepaid broadcast rights (Note 3)	270,185	271,823
Prepaid lease (Note 4)	94,120	133,969
Total noncurrent assets	1,386,760	843,928
Total assets	8,498,947	8,134,409
Deferred outflows of resources:		
Related to pensions	2,973,721	820,133
Related to other post-retirement benefits	25,946	28,138
Total deferred outflows of resources	2,999,667	848,271
Total assets and deferred outflows of resources	12,104,134	9,570,997
Liabilities		
Current liabilities:		
Accounts payable	53,564	48,714
Accrued payroll and related liabilities	171,156	183,819
Unearned revenue	1,343,787	2,378,569
Total current liabilities	1,568,507	2,611,102
Noncurrent liabilities:		
Net pension liability	9,080,573	5,871,359
Net other post-retirement benefits liability	493,180	517,084
Total noncurrent liabilities	9,573,753	6,388,443
Deferred inflow of resources:		
Related to pensions	331,536	372,908
Related to other post-retirement benefits	24,620	-
Total deferred inflow of resources	356,156	372,908
Total liabilities and deferred inflows of resources	11,498,416	9,372,453
Commitments and contingencies (Notes 6, 8, and 9)		
Net position:		
Net investment in capital assets	1,022,454	438,136
Restricted:		
Expendable	60,057	50,941
Nonexpendable	605,520	588,317
Unrestricted (deficit)	(1,082,313)	(878,850)
Total net position	$ 605,718	198,544

See accompanying notes to financial statements.

KNME-TV
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Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2018 and 2017

		2018	As adjusted 2017
Operating revenues:			
Membership income	$	3,488,448	4,132,102
Business and industry contributions		431,920	417,518
Albuquerque Public Schools' funding		20,000	20,000
Corporation for Public Broadcasting grants		1,000,253	1,694,739
University of New Mexico administrative support (Note 7)		885,302	1,534,698
Other grants		137,589	132,765
Production services		431,512	322,885
Spectrum royalties and translator leases		257,267	401,454
Bequests		125,055	-
Video/DVD sales		6,620	8,199
Other		37,230	55,560
Total operating revenues		6,821,196	8,719,920
Operating expenses:			
Program services:			
Programming and production		2,726,765	3,216,203
Broadcasting and engineering		755,013	1,830,231
Promotions and public information		525,894	595,660
Total program services		4,007,672	5,642,094
Support services:			
Management and general		2,642,021	2,414,081
Fundraising and membership		1,533,128	1,405,093
Underwriting and grant solicitation		281,112	196,161
Total support services		4,456,261	4,015,335
Depreciation		160,125	294,092
Total operating expenses		8,624,058	9,951,521
Operating loss		(1,802,862)	(1,231,601)
Nonoperating revenues:			
State of New Mexico appropriation		1,080,200	1,091,200
Interest income		28,097	2,688
Gain on investments		172,813	222,431
Total nonoperating revenues		1,281,110	1,316,319
Capital transactions:			
Capital contributions from APS		928,926	-
Change in net position		407,174	84,718
Net position, beginning of year		198,544	687,490
Impact of change in accounting pronouncements (Note 11)		-	(488,946)
Net position, end of year	$	605,718	198,544

See accompanying notes to financial statements.

KNME-TV

(A Department of the University of New Mexico)

Statements of Cash Flows

Years ended June 30, 2018 and 2017

		2018	As adjusted 2017
Cash flows from operating activities:			
Subscriptions	$	3,488,448	4,132,102
Other operating revenues		916,432	2,287,060
Business and industry contributions		318,232	335,928
Payments to employees for services		(3,096,541)	(3,355,843)
Payments to suppliers for goods and services		(2,347,826)	(4,298,942)
Net cash used in operating activities		(721,255)	(899,695)
Cash flows from noncapital financing activities:			
Cash received from State of New Mexico Appropriation		1,080,200	1,091,200
Payments for prepaid broadcast rights		(980,416)	(974,142)
Net cash provided by noncapital financing activities		99,784	117,058
Cash flows from capital financing activities:			
Purchase of capital assets		(744,443)	(101,161)
Capital contributions from APS		928,926	
Net cash provided by (used in) capital financing activities		184,483	(101,161)
Cash flows from investing activities:			
Purchase of investments		(305,424)	(447,907)
Proceeds from sale of investments		195,813	254,477
Investment income, net		200,911	225,119
Net cash provided by investing activities		91,300	31,689
Net decrease in cash and cash equivalents		(345,688)	(852,109)
Cash and cash equivalents, beginning of year		4,804,330	5,656,439
Cash and cash equivalents, end of year	$	4,458,642	4,804,330

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2018 and 2017

		2018	As adjusted 2017
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$	(1,802,862)	(1,231,601)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation expense		160,124	294,092
Amortization of broadcast rights		969,484	970,494
Changes in assets and liabilities:			
Accounts receivable		(22,309)	116,835
Miscellaneous receivable		(8,250)	(38,833)
Trade receivable		(5,264)	(28,020)
Grants receivable		(28,271)	(3,500)
Unbilled accounts receivable		(220)	-
Unearned revenue		(1,034,782)	(395,023)
Prepaid lease		39,849	39,850
Prepaid,other		974	548
Other assets		924	47,461
Net impact of GASB 68 deferred ins/outs/net pension expense		(2,194,961)	172,171
Net impact of GASB 75 deferred ins/outs/net other post-retirement benefits		26,812	-
Net pension liability		3,209,214	-
Net other post-retirement benefits liability		(23,904)	-
Accounts payable		4,850	(851,825)
Accrued expenses		(12,663)	7,656
Net cash used in operating activities	$	(721,255)	(899,695)

See accompanying notes to financial statements.

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, 2018 and 2017, 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, 2018 and 2017, the Station's cash and cash equivalents balance was $4,458,642 and $4,804,330, respectively.

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, 2018 and 2017, the Station's portion of CIF and related spending accounts was $2,418,098 and $2,308,486 ($605,520 and $588,317, 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, 2018 and 2017 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, 2018 and 2017.

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.

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, 2018 and 2017.

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.

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the VEBA Trust and additions to/deductions from the VEBA Trust's fiduciary net position have been determined on the same basis as they are reported by the VEBA Trust. For this purpose, the VEBA Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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.
- *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 $103,855 and $81,590, respectively, during the fiscal years ended June 30, 2018 and 2017, 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).

Reclassifications. Certain reclassifications of prior information have been made to conform to the current period presentation.

Note 3. Prepaid Broadcasting Rights

As a normal course of business, the Station pays for rights to broadcast programming in advance. At June 30, 2018 and 2017, the current and noncurrent portion of the prepaid broadcast rights was as follows:

		Current	Noncurrent
2018	$	598,769	270,185
2017		586,200	271,823

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, 2018 and 2017 was $39,850. At June 30, 2018 and 2017, the remaining current and noncurrent portion of the prepaid lease was as follows:

		Current	Noncurrent
2018	$	39,850	94,120
2017		39,850	133,969

Note 5. Capital Assets

Capital asset transactions consisted of the following during the years ended June 30, 2018:

		Beginning of year	Additions	Transfers	Deletions	End of year
Building	$	890,513	—	—	—	890,513
Equipment		10,564,896	744,695	—	(902,754)	10,406,837
		11,455,409	744,695	—	(902,754)	11,297,350
Accumulated depreciation		(11,017,273)	(160,125)	—	902,503	(10,274,895)
	$	438,136	584,570	—	(251)	1,022,455

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

	Beginning of year	Additions	Transfers	Deletions	End of year
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)
	$ 631,067	(192,931)	—	—	438,136

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, respectively, for the years ended June 30, 2018 and 2017. The final payment of the lease was tendered June 30, 2018.

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 $138,000, $299,668 and $626,000, respectively, were received during fiscal years 2018, 2017 and 2016 pursuant to the agreement. The agreement was renewed for its first additional 10-year term May 1, 2017, with the next renewal date being April 23, 2027.

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

2019	$ 138,000
2020	138,000
2021	138,000
2022	138,000
2023	138,000
2024	138,000
2025	138,000
2026	138,000
2027	138,000

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 years ended June 30, 2018 and 2017, UNM contributed $885,302 and $1,534,698, respectively.

APS Funding. During the year ended June 30, 2017, APS contributed funding of $20,000 toward the Station's operating budget. During the year ended June 30, 2018, APS contributed capital funding of $928,926 for the Station's equipment purchases and $20,000 toward the Station's operating budget.

Note 8. Retirement Plans

General Information about the Pension Plan

Plan Description: All of the Station's employees who are employed more than 25% of a full-time equivalency are required to 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 Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can also be found on NMERB's website at http://www.nmerb.org/Annual_reports.html.

The plan is a cost sharing, multiple-employer pension plan estabished 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;
- 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 requiremetns 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. Retirees may elect payment of benefits in the form of a single life annuity, join 100% survivor benefit, or joint survivor 50% benefit.

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 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.

Contributions: For the fiscal years ended June 30, 2018 and 2017, 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
2018	7-1-17 to 6-30-18	Over $20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	$20K or less	7.90%	13.90%	24.80%	0.00%
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%	24.80%	0.00%

The contribution requirements are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by actions of the New Mexico Legislature. The Station's contributions to ERB for the fiscal years ended June 30, 2018, 2017 and 2016 were $294,449, $323,363 and $345,614, respectively, which equals the amount of the required contributions for the fiscal year.

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

At June 30, 2018, the Station reported a liability of $9,080,573 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, 2017. 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, 2017, the Station reported a liability of $5,871,359 for their proportionate shares of the net pension liability. At June 30, 2017, the Station's proportion was 0.08792% which was an increase of 0.06312% from its proporation measured as of June 30, 2016. At June 30, 2016, the Station's proportion was 0.08159% which was an decrease of 0.00633% from its proporation measured as of June 30, 2015. At June 30, 2015, the Station's proportion was 0.08792% which was an decrease of 0.00004% from its proportion measured as of June 30, 2014.

For the years ended June 30, 2018 and 2017, the Station recognized pension expense of $1,014,253 and $172,170, respectively.

At June 30, 2018, 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	$	16,301	139,895
Changes of assumptions		2,650,796	—
Net difference between projected and actual earnings on pension plan investments		—	1,246
Change in proportion and differences between Station contributions and proportionate share of contributions		6,464	190,395
Station contributions subsequent to the measurement date		300,160	
Total	$	2,973,721	331,536

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
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		323,363	—
Total	$	820,133	372,908

The $300,160 reported as deferred outflows of resources related to pensions resulting from Station contributions subsequent to the measurement date of June 30, 2017 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:		
2019	$	855,715
2020		942,937
2021		618,146
2022		(74,773)
Total	$	2,342,025

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant assumptions, applied to all periods included in the measurement.

A. Economic assumptions

Inflation rate — 2.50%, reduced from 3.0% used in prior year

Investment rate of return — 7.25% compounded annually, net of expenses. Consist of 2.50% inflation rate and a 4.75% real rate of return.

Salary increases — Composed of 2.5% inflation, plus a 0.75% productivity increase rate, plus, a step-rate promotional increase for members with less than 10 years of service as shown:

Years of Service	Annual Step-Rate/Promotional Component Rates of Increase	Total Annual Rate of Increase
0	8.75%	12.00%
1	3.00%	6.25%
2	2.00%	5.25%
3	1.50%	4.75%
4	1.25%	4.50%
5	1.00%	4.25%
6	0.75%	4.00%
7	0.50%	3.75%
8	0.50%	3.75%
9	0.50%	3.75%
10 or more	0.00%	3.25%

Cost of living increases — 1.90% per year, compounded annually. Note that increases are deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.

Payroll growth: — 3.00% per year (with no allowance for membership growth)

Contribution accumulation: The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.

B. Demographic assumptions

1. Mortality after termination or retirement -

a. Healthy males – RP-2000 Combined Healthy mortality table for males with White Collar Adjustments, no set back. Generational mortality improvements in accordance with Scale BB from the table's base year of 2000

b. Healthy females – 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

c. Disabled males – RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB

d. Disabled females – RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB

Mortality Improvement: The nondisabled annuity mortality assumption includes an explicit generational mortality improvement assumption. To account for future mortality improvement for disabled annuitants, the tables and table multipliers selected above were chosen so that the assumed mortality rates are slightly smaller than the rates observed in the last experience study, covering experience for fiscal year 2009 – fiscal year 2014. The ratio of the actual number of deaths occurring during this period to the expected number based on the selected assumptions was 103% for disabled male annuitants and 108% for disabled female annuitants.

2. Mortality rates of 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 pre-retirement mortality.

3. Disability Incidence – As shown below for selected ages (rates are only applied to eligible members, which are members with at least 10 years of service):

Occurence of Disability per 100 members

Age	Males	Females
25	0.007	0.01
30	0.007	0.02
35	0.042	0.05
40	0.091	0.08
45	0.133	0.12
50	0.168	0.168
55	0.182	0.168

4. Retirement – select and ultimate as shown below for selected ages (rates are only applied to members eligible for retirement)

Retirement per 100 Members by Age, Gender and Years of Service

Age	Male 0-4	Female 0-4	Male 5-9	Female 5-9	Male 10-14	Female 10-14	Male 15-19	Female 15-19	Male 20-24	Female 20-24	Male 25+	Female 25+
45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.00	15.00
50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18.00	18.00
55	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.00	6.00	20.00	23.00
60	0.00	0.00	0.00	0.00	0.00	0.00	15.00	20.00	20.00	15.00	25.00	25.00
62	0.00	0.00	0.00	0.00	30.00	40.00	30.00	30.00	30.00	30.00	30.00	35.00
65	0.00	0.00	40.00	35.00	35.00	40.00	30.00	40.00	30.00	40.00	30.00	40.00
67	0.00	0.00	25.00	25.00	25.00	25.00	25.00	25.00	30.00	30.00	30.00	30.00
70	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

The retirement assumption was further modified for members who joined after June 30, 2010. The probability of retirement upon first eligibility for Normal Retirement reflects the accumulated probability of retirement from the first eligibility for members who joined ERB by June 30, 2010 (generally, 25 years of service or Rule of 75) to their actual first eligibility for Normal Retirement (generally, 30 years of service or Rule of 80).

Early Retirement Per 100 Members – Members joined after June 30, 2010

	Years of Service					
	Males			Females		
Age	15-19	20-24	25-29	15-19	20-24	25-29
55			5.00			6.00
60		20.00	20.00		15.00	15.00
62	30.00	30.00	30.00	30.00	30.00	30.00
65	30.00	30.00	30.00	40.00	40.00	40.00

Termination (for causes other than death, disability or retirement):

Completed Service	Terminations per 100 Members	
	Males	Females
0	43.4	31.4
1	28.1	23.8
2	19.6	17.2
3	14.3	13.5
4	11.9	10.6
5	10.0	9.8
6	9.1	8.6
7	7.3	7.2
8	6.1	6.3
9	5.7	5.5
10	5.2	5.0
11	4.2	4.7
12	4.0	4.2
13	3.4	3.6
14	3.4	3.5
15	3.1	3.3
16	2.2	2.3
17	2.3	2.7
18	2.3	2.1
19 and over	0.0	0.0

Rates are not applied after the member is eligible for reduced or unreduced retirement benefits.

C. Other Assumptions

1. Age difference: Males are assumed to be three years older than females. All beneficiaries are assumed to be spouses.
2. Percent electing annuity on death: It is assumed that beneficiaries of deceased members will elect to receive the refund of contributions with interest, unless the member is eligible for early or normal retirement, in which case the beneficiary will elect to receive the survivor annuity.
3. Percent electing deferred termination benefit: All vested active members terminating prior to eligibility for a retirement benefit are assumed to elect the more valuable of (i) an immediate refund, or (ii) a deferred annuity commencing when the member is eligible for an unreduced retirement benefit.
4. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt when eligible for an unreduced benefit (or attained age if later).
5. Investment and administrative expenses: The assumed investment return rate is intended to be the net rate of return after payment of all investment and administrative expenses.
6. Percent married: For valuation purposes 100% of members are assumed to be married.

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

We believe the recommended assumptions are internally consistent and are reasonably based on the actual experience of ERB. Appendix 2 of our report summarizes the current actuarial assumptions being utilized in the preparation of the actuarial valuations.

In addition to the actuarial assumptions, the actuary also makes use of an actuarial funding method to allocate costs to particular years. In common with most public sector retirement plans, ERB uses the entry age normal actuarial cost method. This method produces a relatively level pattern of funding over time, and thereby provides equity between various generations of taxpayers. We continue to believe this method is appropriate for ERB.

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:

Asset Class	Target Allocation	
Equities	33%	
Fixed Income	26%	
Alternatives	40%	
Cash	1%	
Long term expected rate of return		7.25%

Discount rate. A single discount rate of 5.90% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, 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 5.90%, 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 (4.90%) or 1-percentage-point higher (6.90%) than the current rate:

		Year Ended June 30, 2018		
		1% Decrease (4.90%)	**Current discount rate (5.90%)**	**1% Increase (6.90%)**
Station's proportionate share of the net pension liability	$	11,820,963	9,080,573	6,840,967
		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

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 .

Note 9. Other Post Employment Benefits (OPEB)

General Information about the OPEB Plan

Plan description: Employees of the Station are provided with OPEB through the University of New Mexico Retiree Welfare Benefit Plan (VEBA Plan) – a single-employer defined benefit plan administered by the University of New Mexico Retiree Welfare Benefit Trust (VEBA Trust). The authority to establish and amend the benefit terms rests with the UNM Board of Regents. UNM is the fiduciary of the VEBA Trust, and the VEBA Trust's financial statements and required supplementary information are included in UNM's financial report at http://fsd.unm.edu/annual-reports.html.

Benefits provided: In order for a retiree of the Station to be eligible for OPEB other than basic life insurance, the employee must have been hired prior to July 1, 2015 and contribute to the VEBA Trust for at least five continuous years immediately prior to retirement. If hired prior to July 1, 2013 and retiring prior to July 1, 2018, employees must continually contribute to the VEBA Trust. Employees were automatically enrolled into the VEBA Trust upon its establishment unless they requested to opt out. Opportunities to opt out will occur annually during the benefits open enrollment period. Employees hired on or after July 1, 2015 are not eligible for OPEB other than basic life insurance. Contributions to the VEBA Trust are not required for the basic life insurance benefit since these benefits are not funded through the VEBA Trust.

The VEBA Plan provides health, dental, and life insurance coverage to eligible retirees and their covered dependents. Eligible retirees of the Station receive healthcare coverage through a self-insured medical plan, including prescription drugs, available through UNM Health, Presbyterian Health Plan, BCBS of New Mexico, and Express Scripts. Eligible Medicare retirees (for retirees 65 years of age and over) receive healthcare coverage through one of six fully insured medical/prescription plans: Blue Cross Blue Shield HMO I (Enhanced), Blue Cross Blue Shield HMO II (Standard), Blue Cross Blue Shield PPO, Presbyterian PPO UNM Select, Presbyterian PPO UNM Premier, and UHC AARP Indemnity. Eligible retirees are also offered one of two dental insurance benefit options: Premier High Option and PPO Low Option. Basic life insurance benefits are available to retirees of the Station without the requirement to opt in to the VEBA Trust.

Contributions: The contribution requirements of VEBA Plan members and UNM are established and may be amended by the UNM Board of Regents. Retiree contributions for medical and dental insurance are required for both retiree and dependent coverage. Retirees are required to pay the full premiums less a subsidy provided by UNM. Retirees 65 years of age and over are required to contribute 70% towards the cost of premiums, with UNM contributing 30%. Retirees under the age of 65 are required to contribute a percentage of the premiums based on their preretirement annual salary:

Preretirement salary		**FY 2017**	**FY 2018**
$35,000 and above	Retiree	55%	60%
	UNM	45%	40%
$25,000 to $34,999	Retiree	45%	50%
	UNM	55%	50%
$24,999 and below	Retiree	35%	40%
	UNM	65%	60%

Benefits-eligible employees, who do not opt-out of the VEBA Trust, contribute 0.75% of their salary to the VEBA Trust in order to ensure that the health benefits continue into retirement. UNM matches the 0.75% contribution made by the employee.

<u>OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u>

The net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017. At June 30, 2018, the Station reported a liability of $493,180 for its proportionate share of the net OPEB liability. At June 30, 2017, the Station reported a liability of $517,084 for its proportionate share of the net OPEB liability. The Station's proportion of the net OPEB liability was based on the total salaries of the Station's employees in positions eligible for postretirement benefits relative to the total salaries of all UNM's employees in positions eligible for postretirement benefits. At June 30, 2017, the Station's proportion was 0.37680%, which was a decrease of 0.00328% from its proportion measured as of June 30, 2016. At June 30, 2016, the Station's proportion was 0.38008%, which was a decrease of 0.03473% from its proportion measured as of June 30, 2015.

For the years ended June 30, 2018 and 2017, the Station recognized OPEB expense of $28,854 and $35,167, respectively. At June 30, 2018 and 2017, the Station reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Year Ended June 30, 2018	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Changes of Assumptions	$ -	$ 20,675
Net difference between projected and actual earnings on OPEB plan investments	-	139
Changes in proportion and differences between Station's total salaries and proportionate share of total salaries	-	3,806
Station contributions subsequent to the measurement date	25,946	-
Total	**$ 25,946**	**$ 24,620**

	Year Ended June 30, 2017	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Station contributions subsequent to the measurement date	$ 28,138	$ -
Total	**$ 28,138**	**$ -**

The $25,946 reported as deferred outflows of resources related to OPEB resulting from Station contributions subsequent to the measurement date of July 1, 2017 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. The $28,138 reported as deferred outflows of resources related to OPEB resulting from Station contributions subsequent to the measurement date of July 1, 2016 was recognized as a reduction of the net OPEB liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2019	$ (4,307)
2020	(4,307)
2021	(4,307)
2022	(4,307)
2023	(4,272)
Thereafter	(3,120)
Total	**$ (24,620)**

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0%
Salary increases	2.0%
Investment rate of return	8.0%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Pre-Medicare: 6.5% initially, reduced by decrements to a rate of 5.0% after six years Post-Medicare: 8.5% initially, reduced by decrements to a rate of 5.0% after seven years Dental: 4.0%

Mortality rates were based on the RP-2014 Headcount-Weighted Mortality Table with Fully Generational Mortality Improvement Projections from the Central Year using Scale MP-2016.

The VEBA Trust's policy in regard to the allocation of invested assets was established and may be amended by the VEBA Committee. The long-term objective of the VEBA Trust is to earn a return sufficient to preserve the purchasing power of the VEBA Trust to fund retirement benefits for contributing employees. Ultimately, the goal is to achieve an annual total return, net of management and custodial fees that equals or exceeds the estimated annual benefit distributions, and inflation as measured by the U.S Department of Labor All Urban Consumer Price Index "CPI-U".

Given the current significant unfunded status of the VEBA Plan, an intermediate return objective is established to reflect the return goal during the accumulation phase. The accumulation phase is defined as the time to achieve a VEBA Trust balance sufficient to support 30% of the annual required contribution. During the accumulation phase, the VEBA Trust has the ability to pursue a higher return since distributions are not allowed and regular contributions are expected to be significant relative to the current VEBA Trust balance. As such, the intermediate return objective is 7-8% over a full market cycle.

The following was the adopted asset allocation policy as of June 30, 2018:

	Allocation	
Asset Class	**Target**	**Maximum**
Large Cap US Equity	25%	40%
Small/Mid Cap US Equity	10%	20%
Non-US Dvlp Markets Equity	15%	20%
Non-US Emrg Markets Equity	15%	20%
US Core Bonds	35%	45%
Liquid Alternatives	0%	15%
Total	**100%**	

Discount rate: The discount rate used to measure the total OPEB liability was 6.42%, which is a blended rate of UNM's 8.0% long-term rate of return on assets and the interest rate reported under the 20-Year Municipal Bond Index, which was 3.58% on the last Friday prior to the measurement date of June 30, 2017. A blended discount rate was calculated based on separating the projected future payments between those paid from the VEBA Trust and those paid from general assets. The VEBA Trust assets were projected using the expected employer and employee payroll contributions and the expected long-term rate of return. Payments from the VEBA Trust were assumed to begin when the projected asset amount is fully-funded and all future projected benefit payments will be paid from the VEBA Trust. The discount rate used in the prior year was 6.14%, which is a blended rate of UNM's 8.0% long-term rate of return on assets and the interest rate reported under the 20-Year Municipal Bond Index, which was 2.85% on the last Friday prior to the measurement date of June 30, 2016.

Sensitivity of the Station's proportionate share of the net OPEB liability to changes in the discount rate:

The following presents the Station's proportionate share of the net OPEB liability at June 30, 2018, which was measured using the discount rate of 6.42%, as well as what the Station's proportionate share of the net OPEB liability would have been if it were calculated using a discount rate that was one percentage point lower (5.42%) or one percentage point higher (7.42%) than the current discount rate.

	Year Ended June 30, 2018		
	1% Decrease (5.42%)	**Current Discount Rate (6.42%)**	**1% Increase (7.42%)**
Net OPEB liability	$ 576,317	$ 493,180	$ 425,547

The following presents the Station's proportionate share of the net OPEB liability at June 30, 2017, which was measured using the discount rate of 6.14%, as well as what the Station's proportionate share of the net OPEB liability would have been if it were calculated using a discount rate that was one percentage point lower (5.14%) or one percentage point higher (7.14%) than the discount rate that was used.

	Year Ended June 30, 2017		
	1% Decrease (5.14%)	**Discount Rate (6.14%)**	**1% Increase (7.14%)**
Net OPEB liability	$ 604,076	$ 517,084	$ 446,645

Sensitivity of the Station's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates:

The following presents the Station's proportionate share of the net OPEB liability at June 30, 2018 and 2017, which was measured using the current healthcare cost trend rates (Pre-Medicare: 6.5% decreasing to 5%, Post-Medicare: 8.5% decreasing to 5%, Dental: 4%), as well as what the Station's proportionate share of the net OPEB liability would have been if it were calculated using healthcare cost trend rates that were one percentage point lower (Pre-Medicare: 5.5% decreasing to 4%, Post-Medicare: 7.5% decreasing to 4%, Dental: 3%) or one percentage point higher (Pre-Medicare: 7.5% decreasing to 6%, Post-Medicare: 9.5% decreasing to 6%, Dental: 5%) than the current healthcare cost trend rates.

	Year Ended June 30, 2018		
	1% Decrease	**Current Discount Rate**	**1% Increase**
	(Pre-Medicare: 5.5% decreasing to 4%, Post-Medicare: 7.5% decreasing to 4%, Dental: 3%)	**(Pre-Medicare: 6.5% decreasing to 5%, Post-Medicare: 8.5% decreasing to 5%, Dental: 4%)**	**(Pre-Medicare: 7.5% decreasing to 6%, Post-Medicare: 9.5% decreasing to 6%, Dental: 5%)**
Net OPEB liability	$ 421,689	$ 493,180	$ 582,010

	Year Ended June 30, 2017		
	1% Decrease	**Current Discount Rate**	**1% Increase**
	(Pre-Medicare: 5.5% decreasing to 4%, Post-Medicare: 7.5% decreasing to 4%, Dental: 3%)	**(Pre-Medicare: 6.5% decreasing to 5%, Post-Medicare: 8.5% decreasing to 5%, Dental: 4%)**	**(Pre-Medicare: 7.5% decreasing to 6%, Post-Medicare: 9.5% decreasing to 6%, Dental: 5%)**
Net OPEB liability	$ 447,013	$ 517,084	$ 604,321

OPEB plan fiduciary net position: UNM is the fiduciary of the VEBA Trust, and detailed information about the VEBA Trust's fiduciary net position is included in UNM's financial report. The reports can be found at http://fsd.unm.edu/annual-reports.html.

Note 10. 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.

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.

Note 11. Restatement of Net Position

During fiscal year 2018, the Station adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which require the restatement of net position as presented below:

Net Position FS category	6/30/17 net position	Additions	Deductions	Loss on disposal	6/30/18 net position
Invested in capital assets	$ 438,136	744,695	(160,125)	(252)	1,022,454
Restricted expendable	50,941	20,956	(11,840)	-	60,057
Restricted non expendable	588,317	48,462	(31,259)	-	605,520
Unrestricted investments	1,539,932	156,694	(71,499)	-	1,625,127
Unrestricted net assets	3,494,299	8,060,425	(7,334,831)	-	4,219,893
Related to pensions - unrestricted	(5,424,135)	-	(1,014,253)	-	(6,438,388)
TOTAL NET ASSETS	**687,490**	**9,031,232**	**(8,623,807)**	**(252)**	**1,094,663**

Net position post-adoption of GASB Statement No. 75:

Net Position FS Category	6/30/17 net position	Additions	Deductions	Loss on disposal	6/30/18 net position
Invested in capital assets	$ 438,136	744,695	(160,125)	(252)	1,022,454
Restricted expendable	50,941	20,956	(11,840)	-	60,057
Restricted non expendable	588,317	48,462	(31,259)	-	605,520
Unrestricted investments	1,539,932	156,694	(71,499)	-	1,625,127
Unrestricted net assets	3,494,299	8,060,425	(7,334,831)	-	4,219,893
Related to OPEB - unrestricted	(488,946)	-	-	-	(488,946)
Related to pensions - unrestricted	(5,424,135)	-	(1,014,252)	-	(6,438,387)
TOTAL NET ASSETS	**198,544**	**9,031,232**	**(8,623,806)**	**(252)**	**605,718**

The restatement of $488,946 is to correct prior year net position for the Station's proportionate share of the OPEB liability.

Note 12. Impact of Recently Issued Accounting Standards

GASB Statement No. 87 – *Leases*. This Statement defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (e.g., buildings, land, vehicles, equipment) as specified in the contract for a period of time in an exchange or exchange-like transaction. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources (revenues) or outflows of resources (expenses) based on the payment provisions of the contract. A lessee is required to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible right-to-use lease asset, measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessor is required to recognize a lease receivable, measured at the present value of lease payments expected to be received during the lease term, and a deferred inflow of resources, measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. This Statement includes an exception for short-term leases (those with a maximum possible term of 12 months or less), contracts that transfer ownership, leases of assets that are investments, and certain regulated leases. GASB Statement No. 87 is effective for periods beginning after December 15, 2019 (fiscal year 2021), and earlier application is encouraged. KNME is currently evaluating the impact GASB Statement No. 87 will have on its financial statements.

KNME-TV
(A Department of the University of New Mexico)
Schedule of Proportionate Share of Net Pension Liability and Employer Contributions
June 30, 2018 and 2017

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 (Unaudited)

		June 30,		
Fiscal year		**2020**	**2019**	**2018**
Measurement date		**2019**	**2018**	**2017**
Station's proportion of the net pension liability				0.08171%
Station's proportionate share of the net pension liability	$			9,080,573
Station's covered – employee payroll				2,143,688
Station's proportionate share of the net pension liability as a percentage of its covered – employee payroll				423.60%
Plan fiduciary net position as a percentage of the total pension liability				70.90%

Fiscal year		**2017**	**2016**	**2015**
Measurement date		**2016**	**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 (Unaudited)

		2018	**2017**	**2016**
Statutorily required employer contribution	$	297,973	324,318	321,515
Contributions in relation to the statutorily required contribution		294,449	323,363	321,754
Contribution deficiency (excess)	$	3,524	955	(239)
Station's covered – employee payroll	$	2,143,688	2,333,225	2,313,059
Contributions as a percentage of covered – employee payroll		13.74%	13.86%	13.91%

Notes to Schedules (Unaudiited)

The schedule of proportionate share of net pension liability and the schedule of employer contributions present multiyear and information for the last 10 fiscal years. Fiscal year 2015 was the first year of implementation, therefore, only four years are shown first year of implementation, therefore, only four years are shown. Until a full10-year trend is compiled, information for those years for which information is available will be presented.

Changes in benefit provisions

There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

Changes in assumptions and methods

Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.