



KNME-TV
(A Department of the University of New Mexico)
Financial Statements
June 30, 2020 and 2019
(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

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, which comprise the statements of net position as of June 30, 2020 and 2019 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 as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 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.

Opinions

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, 2020 and 2019, and the respective changes in its financial position and its cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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 39 and 40 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.

Mess Adams LLP

Albuquerque, New Mexico
November 11, 2020

KNME-TV
(A Department of the University of New Mexico)
Management's Discussion and Analysis (Unaudited)
June 30, 2020 and 2019

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, 2020, 2019, and 2018. 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.

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June 30, 2020 and 2019

Condensed Financial Information

	Year ended June 30		
	2020	2019	2018
Consolidated financial information:			
Current assets	\$ 9,785,105	8,991,440	7,112,187
Restricted assets	644,506	681,633	605,520
Capital assets, net	928,762	1,038,449	1,022,455
Other noncurrent assets	338,345	366,572	364,305
Deferred outflows of resources	1,236,126	2,260,733	2,999,667
Total assets and deferred outflow of resources	<u>12,932,844</u>	<u>13,338,827</u>	<u>12,104,134</u>
Current liabilities	3,163,648	2,871,703	1,568,507
Noncurrent liabilities	6,110,827	9,633,425	9,573,753
Deferred inflow of resources	694,489	580,501	356,156
Total liabilities and deferred inflow of resources	<u>9,968,964</u>	<u>13,085,629</u>	<u>11,498,416</u>
Net position:			
Net investment in capital assets	928,762	1,038,449	1,022,454
Restricted	689,950	736,763	665,577
Unrestricted (deficit)	1,345,168	(1,522,014)	(1,082,313)
Total net position	<u>2,963,880</u>	<u>253,198</u>	<u>605,718</u>
Statement of revenues, expenses, and changes in net position:			
Total operating revenues	7,488,515	8,308,341	6,821,196
Total operating expenses	5,887,902	9,391,571	8,624,058
Total nonoperating revenues	855,646	730,710	1,281,110
Total capital contributions	254,423	-	928,926
Change in net position	<u>\$ 2,710,682</u>	<u>(352,520)</u>	<u>407,174</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 \$9,657,806, \$8,807,507, and \$6,869,989, as of June 30, 2020, 2019, and 2018, respectively. Total current assets of \$9,785,105 and \$8,991,440 as of June 30, 2020 and 2019, respectively, increased from the June 30, 2018 current assets of \$7,112,187 largely due to higher investment yields and increased revenue streams resulting in greater cash balances.

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Current Assets and Liabilities (continued)

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 \$2,930,556, \$2,663,072, and \$1,343,787 at June 30, 2020, 2019, and 2018, respectively. In fiscal years 2020 and 2019, unearned revenue increased by \$267,484 and \$1,319,285, respectively, due to more grant revenue received.

At June 30, 2020, 2019, and 2018, the Station's current assets of \$9,785,105, \$8,991,444, and \$7,112,187 were sufficient to cover current liabilities of \$3,163,648 (current ratio of 3.09), \$2,871,703 (current ratio of 3.13), and \$1,568,507 (current ratio of 4.53), respectively.

Restricted Assets

For the fiscal years ended June 30, 2020, 2019, and 2018, restricted asset balances were \$689,950, \$736,763, and \$665,577, respectively. The \$46,813 decrease from June 30, 2019 to June 30, 2020 resulted from decreased investment gains. The \$71,186 increase from June 30, 2018 to June 30, 2019 resulted from increased investment gains.

Noncurrent Assets

Capital assets are the largest component of noncurrent assets. Capital assets, net of accumulated depreciation, decreased from \$1,038,449 at June 30, 2019 to \$928,762 at June 30, 2020 chiefly as the result of disposing of numerous obsolete assets. Capital assets, net of accumulated depreciation, increased from \$1,022,455 at June 30, 2018 to \$1,038,449 at June 30, 2019 chiefly as the result of the purchase of new broadcast translator equipment. In addition, depreciation expense of \$261,434 was offset by additions of \$151,747 (Note 5). Additionally, equipment with a net book value of \$0, \$36,312, and \$252, respectively, was disposed of in the fiscal years ended June 30, 2020, 2019, and 2018.

As a result of scheduled amortization, the noncurrent portion of a prepaid lease has decreased \$39,850 each year, from \$94,119 to \$54,269 to \$14,420 as of June 30, 2018, 2019, and 2020, respectively (Note 4).

Deferred Outflows of Resources

Deferred outflows of resources related to pensions decreased by \$1,067,843 and \$740,730, respectively, as of the fiscal years ended June 30, 2020 and 2019. Deferred outflows of resources related to other-post retirement benefits increased by \$43,236 and \$1,796 as of the fiscal years ended June 30, 2020 and 2019. The recognition of a deferred outflow of resources related to pensions resulted from 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. The recognition of a deferred outflow of resources related to other post-retirement benefits resulted from the Station's adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018. The most significant deferred outflow of resources is related to pensions. Changes of assumptions in the actuarial valuation have had significant impacts on the deferred outflow of resources related to pensions. From 2019 to 2020, the most significant assumption change was an increase in discount rate from 5.69% to 7.25%. From 2018 to 2019, the most significant assumption change was a decrease in the inflation assumption from 3.0% to 2.5%.

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Noncurrent Liabilities

Noncurrent liabilities decreased \$3,522,598 and increased \$59,672 and \$3,185,310, respectively, as of the years ended June 30, 2020, 2019, and 2018 primarily due to the recording of a \$5,753,750, \$9,188,802, and \$9,080,573, 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, and recording of \$357,077, \$444,623, and \$493,180 for the years ended June 30, 2020, 2019, and 2018, respectively, for the proportionate share of the total net other post-retirement benefits (OPEB) liability as required by the adoption of GASB Statement No. 75. From 2019 to 2020, the overall decrease in the net pension liability of the pension plan as reported by ERB was as a result of changes enacted in House Bill 360 effective July 1, 2019, as well as a decrease in the Station's proportionate share of the overall liability. The changes enacted in House Bill 360 included benefit provisions for new hires and a 0.25% increase in the employer contribution percentage. From 2019 to 2019, the overall increase in the net pension liability was due to an overall increase in the net pension liability of the pension plan as reported by ERB as well as an increase in the Station's proportionate share of that overall liability.

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 increased by \$8,293 from \$513,738 to \$522,031, \$182,202 from \$331,536 to \$513,738 and decreased by \$41,372 from \$372,908 to \$331,536, respectively, as of the fiscal years ended June 30, 2020, 2019 and 2018. 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 \$105,695 from \$66,763 to \$172,458 as of the fiscal year ended June 30, 2020, increased by \$42,143 from \$24,260 to \$66,763 as of the fiscal year ended June 30, 2019, and 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 \$644,506, \$681,633, and \$605,520 at June 30, 2020, 2019, and 2018, respectively.

Unrestricted net position may be used to meet all operating needs of the Station. The overall net position of the Station decreased from \$605,718 as of June 30, 2018 to \$253,198 as of June 30, 2019 and increased to \$2,963,880 as of June 30, 2020 primarily due to the decreased pension liability in fiscal year 2020.

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Results of Operations

Operating revenues of \$7,488,515 in the current fiscal year decreased by approximately 10% from the prior fiscal year operating revenues of \$8,308,341 as a result of a change in methodology calculating indirect administrative support from the University of New Mexico as mandated by the Corporation for Public Broadcasting.

Operating revenues of \$8,308,341 in the prior fiscal year increased by approximately 22% from the prior fiscal year operating revenues of \$6,821,196 as a result of timing of an expenditure of the Corporation for Public Broadcasting grants, increase of indirect administrative support from the University of New Mexico, and membership revenue.

Total operating expenses for the fiscal years ended June 30, 2020 of \$5,887,302, a \$3,467,357 decrease from the operating expenses for fiscal year ended June 30, 2019 of \$9,355,259, primarily due to changes in pension liability resulting in \$2,400,000 less pension expense, changes in indirect administrative support calculation methodology (\$600,000), and reduction in operating expenses such as travel, professional development, and staff vacancies. Depreciation expense increased \$19,286 due to equipment purchases in the prior year.

Total operating expenses for the fiscal years ended June 30, 2019 of \$9,355,259 increased from the operating expenses for fiscal year ended June 30, 2018 of \$8,624,058 primarily due to increased investment in engineering and broadcast operations personnel. Depreciation expense increased \$82,023 due to equipment purchases in the prior year.

The material reduction in the current fiscal year is a result in reduction of associated pension expense by approximately \$850,000. Removing the reduction in pension expense would place the management and general support service expenses as 16.24% of total operating expenses. Support from UNM includes noncash administrative support as well as utility and infrastructure costs paid. The administrative support from UNM decreased from \$1,214,171 in 2019 to \$439,962 in 2020 as the result of a mandated calculation methodology change by the Corporation for Public Broadcasting and increased from \$885,302 in 2018 to \$1,214,171 in 2019.

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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(A Department of the University of New Mexico)

Statements of Net Position

June 30, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash and cash equivalents	\$ 6,626,283	5,728,266
Investments	2,433,473	2,478,507
Accounts receivable, less allowance for doubtful accounts of \$73,894 in 2020 and \$54,847 in 2019, respectively	37,265	123,676
Miscellaneous receivable	21,678	8,350
Trade receivable	14,072	7,988
Grants receivable	9,166	-
Prepaid broadcast rights (Note 3)	598,050	600,734
Prepaid lease (Note 4)	39,850	39,850
Prepaid, other	-	603
Other assets	5,268	3,466
Total current assets	<u>9,785,105</u>	<u>8,991,440</u>
Restricted assets:		
Investments	644,506	681,633
Noncurrent assets:		
Capital assets (Note 5):		
Buildings	890,513	890,513
Equipment	9,307,104	10,111,166
	10,197,617	11,001,679
Accumulated depreciation	(9,268,855)	(9,963,230)
Capital assets, net	928,762	1,038,449
Prepaid broadcast rights (Note 3)	323,925	312,303
Prepaid lease (Note 4)	14,420	54,269
Total noncurrent assets	<u>1,267,107</u>	<u>1,405,021</u>
Total assets	<u>11,696,718</u>	<u>11,078,094</u>
Deferred outflows of resources:		
Related to pensions	1,165,148	2,232,991
Related to other post-retirement benefits	70,978	27,742
Total deferred outflows of resources	<u>1,236,126</u>	<u>2,260,733</u>
Total assets and deferred outflows of resources	<u>\$ 12,932,844</u>	<u>13,338,827</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 33,572	28,310
Accrued payroll and related liabilities	199,520	180,321
Unearned revenue	2,930,556	2,663,072
Total current liabilities	<u>3,163,648</u>	<u>2,871,703</u>
Noncurrent liabilities:		
Net pension liability	5,753,750	9,188,802
Net other post-retirement benefits liability	357,077	444,623
Total noncurrent liabilities	<u>6,110,827</u>	<u>9,633,425</u>
Total liabilities	<u>9,274,475</u>	<u>12,505,128</u>
Deferred inflow of resources:		
Related to pensions	522,031	513,738
Related to other post-retirement benefits	172,458	66,763
Total deferred inflow of resources	<u>694,489</u>	<u>580,501</u>
Total liabilities and deferred inflows of resources	<u>\$ 9,968,964</u>	<u>13,085,629</u>
Net position:		
Net investment in capital assets	\$ 928,762	1,038,449
Restricted:		
Expendable	45,444	55,130
Nonexpendable	644,506	681,633
Unrestricted (deficit)	1,345,168	(1,522,014)
Total net position	<u>\$ 2,963,880</u>	<u>253,198</u>

See accompanying notes to financial statements.

KNME-TV
(A Department of the University of New Mexico)
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Membership income	\$ 3,689,615	4,276,031
Business and industry contributions	386,673	407,587
Albuquerque Public Schools' funding	20,000	20,000
Corporation for Public Broadcasting grants	1,675,877	1,595,908
University of New Mexico administrative support (Note 7)	389,962	1,214,171
Other grants	45,055	50,358
Production services	344,254	359,503
Spectrum royalties and translator leases	260,023	236,903
Bequests	621,988	100,690
Video/DVD sales	2,588	3,825
Other	52,480	43,365
	7,488,515	8,308,341
Operating expenses:		
Program services:		
Programming and production	2,310,673	2,809,246
Broadcasting and engineering	1,614,675	1,733,459
Promotions and public information	503,450	630,950
	4,428,798	5,173,655
Support services:		
Management and general	107,610	2,071,507
Fundraising and membership	943,262	1,568,498
Underwriting and grant solicitation	146,798	299,451
	1,197,670	3,939,456
Depreciation	261,434	242,148
	5,887,902	9,355,259
Operating income (loss)	1,600,613	(1,046,918)
Nonoperating revenues:		
State of New Mexico appropriation	1,113,800	1,092,300
Interest income	50,661	39,664
(Loss) gain on investments	(25,591)	123,581
Transfers	(283,224)	(524,835)
Loss on disposal of assets	-	(36,312)
	855,646	694,398
Capital transactions:		
Capital contributions from PBS	86,627	-
Capital contributions from APS	167,796	-
Change in net position	2,710,682	(352,520)
Net position, beginning of year	253,198	605,718
Net position, end of year	\$ 2,963,880	253,198

See accompanying notes to financial statements.

KNME-TV
(A Department of the University of New Mexico)
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Subscriptions	\$ 3,689,615	4,276,030
Other operating revenues	3,347,583	3,783,935
Business and industry contributions	305,425	310,490
Payments to employees for services	(3,694,200)	(3,255,651)
Payments to suppliers for goods and services	(2,865,172)	(2,509,511)
Net cash provided by operating activities	783,251	2,605,293
Cash flows from noncapital financing activities:		
Cash received from State of New Mexico Appropriation	1,113,800	1,092,300
Payments for prepaid broadcast rights	(925,717)	(1,029,883)
Transfers	(283,224)	(524,835)
Net cash used in noncapital financing activities	(95,141)	(462,418)
Cash flows from capital financing activities:		
Purchase of capital assets	(151,747)	(294,455)
Capital contributions from PBS	86,627	-
Capital contributions from APS	167,796	-
Net cash provided by (used in) capital financing activities	102,676	(294,455)
Cash flows from investing activities:		
Purchase of investments	(178,991)	(986,302)
Proceeds from sale of investments	261,152	244,261
Investment income, net	25,070	163,245
Net cash provided by (used in) investing activities	107,231	(578,796)
Net increase in cash and cash equivalents	898,017	1,269,624
Cash and cash equivalents, beginning of year	5,728,266	4,458,642
Cash and cash equivalents, end of year	\$ 6,626,283	5,728,266

See accompanying notes to financial statements.

KNME-TV
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Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 1,600,613	(1,046,918)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	261,434	242,148
Amortization of broadcast rights	916,779	985,799
Changes in assets and liabilities:		
Accounts receivable	86,411	(43,422)
Miscellaneous receivable	(13,328)	38,733
Trade receivable	(6,084)	25,296
Grants receivable	(9,166)	33,271
Unbilled accounts receivable	-	220
Prepaid lease	39,849	39,851
Prepaid, other	603	2,479
Other assets	(1,802)	1,688
Accounts payable	5,262	(25,254)
Accrued payroll and related liabilities	19,199	9,165
Unearned revenue	267,484	1,319,285
Net impact of GASB 68 deferred ins/outs/net pension expense	1,076,136	922,933
Net impact of GASB 75 deferred ins/outs/net other post-retirement benefits	62,459	40,347
Net pension liability	(3,435,052)	108,229
Net other post-retirement benefits liability	(87,546)	(48,557)
Net cash provided by operating activities	<u>\$ 783,251</u>	<u>2,605,293</u>

See accompanying notes to financial statements.

KNME-TV
(A Department of the University of New Mexico)
Notes to the Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019, 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

A summary of significant account policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Accounting and Presentation

As a department of the UNM, the Station presents its financial statements in accordance with U.S. generally accepted accounting standards as established by the Governmental Accounting Standards Board (GASB).

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.

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Notes to the Financial Statements
June 30, 2020 and 2019

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2020 and 2019, the Station's cash and cash equivalents balance was \$6,626,283 and \$5,728,266, 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, 2020 and 2019, the Station's portion of CIF and related spending accounts was \$3,077,979 and \$3,160,140 (\$644,506 and \$681,633, 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.

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Note 2 – Summary of Significant Accounting Policies (continued)

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, 2020 and 2019 is adequate.

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, 2020 and 2019.

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, 2020 and 2019.

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.

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.

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Note 2 – Summary of Significant Accounting Policies (continued)

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 the 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 (income) 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 (income) 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.

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Note 2 – Summary of Significant Accounting Policies (continued)

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 \$81,248 and \$97,097, respectively, during the fiscal years ended June 30, 2020 and 2019, 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.

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Note 3 – Prepaid Broadcasting Rights

As a normal course of business, the Station pays for rights to broadcast programming in advance. At June 30, 2020 and 2019, the current and noncurrent portion of the prepaid broadcast rights was as follows:

	<u>Current</u>	<u>Noncurrent</u>
2020	\$ 598,050	\$ 323,925
2019	600,734	312,303

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, 2020 and 2019 was \$39,850 and \$39,850, respectively. At June 30, 2020 and 2019, the remaining current and noncurrent portion of the prepaid lease was as follows:

	<u>Current</u>	<u>Noncurrent</u>
2020	\$ 39,850	\$ 14,420
2019	39,850	54,269

Note 5 – Capital Assets

Capital asset transactions consisted of the following during the years ended June 30, 2020:

	<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	10,111,166	151,747	-	(955,809)	9,307,104
	11,001,679	151,747	-	-	10,197,617
Accumulated depreciation	(9,963,230)	(261,434)	-	955,809	(9,268,855)
	<u>\$ 1,038,449</u>	<u>\$ (109,687)</u>	<u>\$ -</u>	<u>\$ 955,809</u>	<u>\$ 928,762</u>

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Note 5 – Capital Assets (continued)

Capital asset transactions consisted of the following during the years ended June 30, 2019.

	<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	10,406,837	294,455	-	(590,126)	10,111,166
	11,297,350	294,455	-	(590,126)	11,001,679
Accumulated depreciation	(10,274,895)	(242,148)	-	553,813	(9,963,230)
	<u>\$ 1,022,455</u>	<u>\$ 52,307</u>	<u>\$ -</u>	<u>\$ (36,313)</u>	<u>\$ 1,038,449</u>

Note 6 – Operating Leases and Royalties

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, were received during fiscal years 2020 and 2019 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.

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Note 6 – Operating Leases and Royalties (continued)

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

2021	\$ 138,000
2022	138,000
2023	138,000
2024	138,000
2025	138,000
2026	138,000
2027	138,000
	<u>\$ 966,000</u>

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, 2020 and 2019, UNM contributed \$389,962 and \$1,214,171, respectively. The 67% reduction in UNM administrative support from FY19 to FY20 is based upon a mandated methodology change by the Corporation for Public Broadcasting.

APS Funding. During the year ended June 30, 2020, APS contributed funding of \$20,000 toward the Station’s operating budget and capital funding of \$167,796. During the year ended June 30, 2019, APS contributed funding of \$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 Educational Retirement Act (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 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.

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Note 8 – Retirement Plans (continued)

The Plan is considered a component unit of the State's financial reporting entity. The Plan is a pension trust fund of the State of New Mexico. 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. 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, public technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

Pension Benefit: 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.

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Note 8 – Retirement Plans (continued)

Section 22-11-23.2, 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;

Section 22-11.23.3, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2019 – and had, before that date, been refunded all member contributions and had not restored all refunded contributions and interest before July 1, 2019. A member in this tier must meet one of the following requirements:

- The member's minimum age must be 58, and the member has earned 30 or more years of service credit. (A member who retires earlier than age 58, receives a reduction in benefits equal to the actuarial equivalent at age 58);
- 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 retirement benefits), or
- The member's age is 67, and the member has earned five ore more years of service credit.

Form 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.

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Note 8 – Retirement Plans (continued)

- 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 and 4).

- 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.
- Tier 4 membership is comprised of employees who became members on or after July 1, 2019

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Note 8 – Retirement Plans (continued)

If a member is eligible for a COLA, the amount depends on the annual change in the Consumer Price Index (CPI) and whether the fund is fully funded (that is, the fund’s funded rate is 100%). Accordingly, if there is no increase in the CPI, or the CPI is negative, the amount of the COLA will be zero (if the CPI is negative, retirement benefits will not be decreased).

When CPI has increased and the fund is fully funded, the COLA will be the same amount as the increase in the CPI except as follows: If the increase in the CPI is 2% or greater, the COLA will be one-half of the CPI increase, not to exceed 4% or to be less than 2%.

However, while the fund is not fully funded, the COLA for retirees will be reduced based on the median annual retirement benefit, calculated after the end of each fiscal year:

- When the funded ratio is 90% or less, the COLA for retirees whose annuity is at or below the median and who have 25 more years of service credit at retirement will be reduced by 10%. For retirees whose annuity is either greater than the median or who have less than 25 years of service credit at retirement, the COLA will be reduced by 20%.
- When the funded ratio exceeds 90% but is less than 100%, the COLA for retirees whose annuity is at or below the median adjusted annuity and who had 25 or more years of service credit at retirement and will be reduced by 5%. For retirees whose annuity is either greater than the median or who have less than 25 years of service credit at retirement, the COLA will be reduced by 10%.

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, 2020 and 2019, educational employers contributed to the Plan based on the following rate schedule.

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member Rate</u>	<u>Employer Rate</u>	<u>Combined Rate</u>	<u>Increase Over Prior Year</u>
2020	7-1-19 to 6-30-20	Over \$24K	10.70%	14.15%	24.85%	0.25%
2020	7-1-19 to 6-30-20	\$24K or less	7.90%	14.15%	22.05%	0.25%
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%	0.00%

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Note 8 – Retirement Plans (continued)

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, 2020, 2019 and 2018 were \$352,999, \$308,539, and \$294,449, respectively, which equals the amount of the required contributions for the fiscal year.

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

At June 30, 2020, the Station reported a liability of \$5,753,750, for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2019 using generally accepted actuarial principles.

House Bill 360 made several changes to benefit provisions, which were effective July 1, 2019. These changes have been reflected in the roll-forward and in the projection used to determine the single discount rate. These changes included:

- Increasing the employer contribution rate by 0.25%, from 13.9% to 14.15%;
- Increasing from \$20,000 to \$24,000, the member salary range subject to the lower 7.90% contribution rate (higher is 10.70%).
- Requiring all working retirees and their employers to contribute to ERP; and
- For members hired after June 30, 2019, using a tiered multiplier instead of a single multiplier to calculate retirements benefits upon retirement.

At June 30, 2019, the Station reported a liability of \$9,188,802, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018.

The employer's proportion of the net pension liability is based on a projection of the employer's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2019, actuarially determined. At June 30, 2019, the Station's proportion was 0.07727%, which was a decrease of 0.0044% from its proportion measured as as of June 30, 2018. At June 30, 2018, the Station's proportion was 0.08171% which was an increase of 0.0012% from its proportion measured as of June 30, 2017.

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Note 8 – Retirement Plans (continued)

For the year ended June 30, 2020, the Station recognized pension income of \$2,358,917. For the year ended June 30, 2019, the Station recognized pension expense of \$1,031,161.

At June 30, 2020, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ -	\$ 150,798
Changes of assumptions	810,717	-
Net difference between projected and actual earnings on pension plan investments	-	122,536
Change in proportion and differences between Station contributions and proportionate share of contributions	1,432	248,697
Station contributions subsequent to the measurement date	352,999	-
Total	<u>\$ 1,165,148</u>	<u>\$ 522,031</u>

At June 30, 2019, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 6,706	\$ 174,878
Changes of assumptions	1,893,769	-
Net difference between projected and actual earnings on pension plan investments	20,342	-
Change in proportion and differences between Station contributions and proportionate share of contributions	3,635	338,860
Station contributions subsequent to the measurement date	308,539	-
Total	<u>\$ 2,232,991</u>	<u>\$ 513,738</u>

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Note 8 – Retirement Plans (continued)

The \$352,599 reported as deferred outflows of resources related to pensions resulting from Station contributions subsequent to the measurement date of June 30, 2019 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. The \$308,539 reported as deferred outflows of resources related to pensions resulting from the Station contributions subsequent to the measurement date of June 2018, was recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:		
2021	\$	499,861
2022		(144,824)
2023		(48,946)
2024		<u>(15,973)</u>
Total	\$	<u>290,118</u>

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following significant assumptions, applied to all periods included in the measurement.

Inflation	2.50%
Salary Increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment Rate of Return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75% real rate of return.
Mortality	<p>Healthy males – Based on RP-2000 Combined Healthy Mortality Table with White Collar Adjustments, not set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.</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>

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Note 8 – Retirement Plans (continued)

Active members – Based on 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.

Retirement Age	Experience-based table rates based on age and service, adopted by the Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016
Cost of living increases	1.90% per year, compounded annually; increases 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 and Tier 4), 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.
Disability Incidence	Approved rates are 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 April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several 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%.

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Note 8 – Retirement Plans (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block approach that includes the following:

- Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

The target allocation for each major asset class and the long-term expected rate of return summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	33%	
Fixed Income	26%	
Alternatives	40%	
Cash	1%	
Total	<u>100%</u>	<u>7.25%</u>

Discount rate. A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2019. This is a 1.56% percent increase over the rate of 5.69% rate used in the prior measurement year. The 7.25% was based on a long-term expected rate of return on pension plan investments of 7.25%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is 0.21% less than the 5.90% discount rate used for June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.62%, net of expense. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were sufficient to finance the benefits payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

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Note 8 – Retirement Plans (continued)

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 the Station's proportionate share of the net pension liability at June 30, 2020, which was measured using the discount rate of 7.25%, as well as what the net pension liability would have been if it were calculated using a discount rate that was one percentage point lower (6.25%) or on percentage point higher (8.25%) than the current discount rate.

	Year Ended June 30, 2020		
	1% Decrease	Current	1% Increase
	(6.25%)	Discount Rate (7.25%)	(8.25%)
Station's proportionate share of the net pension liability	\$ 7,477,171	5,753,750	4,346,849

The following presents the Station's proportionate share of the net pension liability at June 30, 2019, which was measured using the discount rate of 5.69%, as well as what the net pension liability would have been if it were calculated using a discount rate that was one percentage point lower (4.69%) or on percentage point higher (6.69%) than the current discount rate.

	Year Ended June 30, 2019		
	1% Decrease	Current	1% Increase
	(4.69%)	Discount Rate (5.69%)	(6.69%)
Station's proportionate share of the net pension liability	\$ 11,941,124	9,188,802	6,941,965

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.

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Note 9 – Other Post Employment Benefits (OPEB)

General Information about the OPEB Plan

Plan description: The University of New Mexico Retiree Welfare Benefit Trust (VEBA Trust) administers the University of New Mexico Retiree Welfare Benefit Plan (VEBA Plan) – a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the University. The University is the fiduciary of the VEBA Trust's financial statements and required supplementary information are included in the University financial report

Management of the VEBA Plan is vested in the VEBA Trust's VEBA Committee, which consists of nine members:

- UNM Controller or Designee
- UNM Vice President of Human Resources or Designee
- Two Faculty Appointees (appointed by the UNM President)
- Two Staff Appointees (appointed by the UNM President)
- Member of the Debt Investment Advisory Committee (ex-officio, appointed by the UNM President)
- Two UNM Presidential Appointees

Plan membership: 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.

Benefits provided: 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, and BCBS of New Mexico. 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. The authority to establish and amend the benefit provisions rests with Board of Regents.

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Note 9 – Other Post Employment Benefits (OPEB) (continued)

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. The contribution percentage to premiums 65 years of age and over is determined by service credits paid into the VEBA as follows:

65+ Retirees		
Number of VEBA Service Credit Years Contributed	UNM	Retiree
5-9	10%	90%
10-14	15%	85%
15-19	20%	80%
20-24	25%	75%
Grandfathered with 25+ Service Credits	40%	60%

The contribution percentage to premiums for retirees under the age of 65 is determined by service credits paid into the VEBA and their preretirement annual salary as follows:

Pre-65 Retirees						
Number of VEBA Service Credit Years Contributed	Less than \$25,000		\$25,000 - \$34,999		\$35,000 and above	
	UNM	Retiree	UNM	Retiree	UNM	Retiree
5-9	25%	75%	20%	80%	15%	85%
10-14	30%	70%	25%	75%	20%	80%
15-19	35%	65%	30%	70%	25%	75%
20-24	40%	60%	35%	65%	30%	70%
Grandfathered with 25+ Service Credits	60%	40%	50%	50%	40%	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.

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Note 9 – Other Post Employment Benefits (OPEB) (continued)

Investments

Investment policy: 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, 2020:

Asset Class	Allocation	
	Target	Maximum
Equities	65%	65%
Fixed Income	35%	45%
Alternatives	0%	15%
Total	100%	

Rate of return: For the years ended June 30, 2020 and 2019, the annual money-weighted rate of return on investments, net of investment expense, were 4.55 percent and 6.18 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Station’s net OPEB liability was rolled forward on an actuarial basis from the valuation measured as of July 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 but adjusted for a change in the discount rate.

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June 30, 2020 and 2019

Note 9 – Other Post Employment Benefits (OPEB) (continued)

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	2.0%
Investment rate of return	8.0%, net of OPEB plan investments expense, including inflation
Healthcare cost trend rates	Pre-Medicare: 5.5% initially, reduced by decrements to a rate of 5.0% after six years Post-Medicare: 5.54% initially, reduced by decrements to a rate of 5.0% after seven years Dental : 4.0%

Mortality rates were based on the PUB-2010 “General classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2018.

Discount rate: The discount rate used to measure the total OPEB liability was 6.69%, 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 3.50% on the last Friday prior to the measurement date of June 30, 2019. 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 6.78%, 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 3.87% on the last Friday prior to the measurement date of June 30, 2018.

The net OPEB liability was measured as of July 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019. At June 30, 2020, the Station reported a liability of \$357,077 for its proportionate share of the net OPEB liability. At June 30, 2019, the Station reported a liability of \$444,623 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 ,2020, the Station’s proportion was 0.369218%, which was a 0.014892% increase from its proportion measured as of June 30, 2019. At June 30, 2019, the Station’s proportion was 0.0354327%, which was a decrease of 0.024470% from its proportion measured as of June 30, 2018.

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Note 9 – Other Post Employment Benefits (OPEB) (continued)

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

The following presents the Station's net OPEB liability at June 30, 2020, which was measured using a discount rate of 6.69%, as well as what the net OPEB liability would have been if it were calculated using a discount rate that was one percentage point lower (5.69%) or one percentage point higher (7.69%) than the current discount rate.

	Year Ended June 30, 2020		
	1% Decrease (5.69%)	Current Discount Rate (6.69%)	1% Increase (7.69%)
Net OPEB liability	\$ 425,007	\$ 357,077	\$ 300,602

The following presents the Station's net OPEB liability at June 30, 2019, which was measured using a discount rate of 6.78%, as well as what the net OPEB liability would have been if it were calculated using a discount rate that was one percentage point lower (5.78%) or one percentage point higher (7.78%) than the current discount rate.

	Year Ended June 30, 2019		
	1% Decrease (5.78%)	Current Discount Rate (6.78%)	1% Increase (7.78%)
Net OPEB liability	\$ 519,438	\$ 444,623	\$ 373,707

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Note 9 – Other Post Employment Benefits (OPEB) (continued)

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, 2020 and 2019, which was measured using the current healthcare cost trend rates (Pre-Medicare: 5.5% decreasing to 5%, Post-Medicare: 5.4% 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: 4.5% decreasing to 4%, Post-Medicare: 4.4% decreasing to 4%, Dental: 3%) or one percentage point higher (Pre-Medicare: 6.5% decreasing to 6%, Post-Medicare: 6.4% decreasing to 6%, Dental: 5%) than the current healthcare cost trend rates.

	Year Ended June 30, 2020		
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	(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	\$ 301,730	\$ 357,077	\$ 424,922
	Year Ended June 30, 2019		
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	(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	\$ 375,604	\$ 444,623	\$ 530,156

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June 30, 2020 and 2019

Note 9 – Other Post Employment Benefits (OPEB) (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2020 and 2019, the Station recognized OPEB expense of \$25,087 and \$8,210, respectively. At June 30, 2020 and 2019, the Station reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Year Ended June 30, 2020</u>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes of assumptions	\$ 23,407	\$ 31,627
Net difference between projected and actual earnings on OPEB plan investments	1,535	116,811
Change in proportion and differences between Station's total salaries and proportionate share of total salaries	16,619	24,020
Station contributions subsequent to the measurement date	<u>29,417</u>	<u>-</u>
Total	<u>\$ 70,978</u>	<u>\$172,458</u>
	<u>Year Ended June 30, 2019</u>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes of assumptions	\$ -	\$ 37,486
Net difference between projected and actual earnings on OPEB plan investments	-	38
Change in proportion and differences between Station's total salaries and proportionate share of total salaries	-	29,239
Station contributions subsequent to the measurement date	<u>27,742</u>	<u>-</u>
Total	<u>\$ 27,742</u>	<u>\$ 66,763</u>

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Note 9 – Other Post Employment Benefits (OPEB) (continued)

The \$29,417 reported as deferred outflows of resources related to OPEB resulting from Station contributions subsequent to the measurement date of July 1, 2019 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. The \$27,742 reported as deferred outflows of resources related to OPEB resulting from Station contributions subsequent to the measurement date of July 1, 2018 was recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. 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:	
2021	\$ (29,121)
2022	(29,121)
2023	(29,087)
2024	(27,968)
2025	(15,600)
Thereafter	-
Total	<u><u>\$ (130,897)</u></u>

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.

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Note 11 – 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.

Note 12 – Subsequent Event

During the year, an outbreak of a novel coronavirus (COVID-19) occurred in the United States, along with various other countries globally. On March 11, 2020, the World Health Organization assessed the novel coronavirus outbreak and characterized it as a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but are resulting in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. The duration and intensity of the impact of the coronavirus and resulting impact to the Station is unknown.

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Schedule of Proportionate Share of Net Pension Liability and Employer Contributions
June 30, 2020 and 2019

REQUIRED SUPPLEMENTAL INFORMATION – PENSION

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 Year 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 – ERB Plan

	June 30,				
	2020	2019	2018	2017	2016
Station's proportion of the net pension liability	0.07727%	0.08171%	0.08171%	0.08159%	0.08792%
Station's proportionate share of the net pension liability	5,753,750	9,188,802	9,080,573	5,871,359	5,694,728
Station's covered - employee payroll	2,538,039	2,245,675	2,143,688	2,333,225	2,486,430
Station's proportionate share of the net pension liability as a percentage of its covered - employee payroll	226.70%	409.18%	423.60%	251.64%	229.03%
Plan fiduciary net position as a percentage of the total pension liability	88.82%	81.29%	70.90%	91.86%	63.97%
2015					
Station's proportion of the net pension liability	0.08788%				
Station's proportionate share of the net pension liability	5,014,028				
Station's covered - employee payroll	2,409,854				
Station's proportionate share of the net pension liability as a percentage of its covered - employee payroll	208.06%				
Plan fiduciary net position as a percentage of the total pension liability	66.54%				

Schedule of Employer Contributions – ERB Plan

	June 30,				
	2020	2019	2018	2017	2016
Statutorily required employer contribution	\$ 352,787	312,149	297,973	324,318	321,515
Contributions in relation to the statutorily required contribution	359,608	308,539	294,449	323,363	321,754
Contribution deficiency (excess)	\$ (6,821)	3,610	3,524	955	(239)
Stations' covered-employee payroll	\$ 2,538,039	2,245,675	2,143,688	2,333,225	2,313,059
Contributions as a percentage of covered-employee payroll	14.17%	13.74%	13.74%	13.86%	13.90%
2015					
Statutorily required employer contribution	\$ 345,614				
Contributions in relation to the statutorily required contribution	345,614				
Contribution deficiency (excess)	\$ -				
Stations' covered-employee payroll	2,486,430				
Contributions as a percentage of covered-employee payroll	13.90%				

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Schedule of Proportionate Share of Net Pension Liability and Employer Contributions
June 30, 2020 and 2019

Notes to Schedules

Changes in Benefit Provisions

There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2019 and June 30, 2018.

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 KNMnew 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%.