KUFM-FM RADIO A Public Telecommunications Entity Operated by University of Montana

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2015 and 2014

Prepared by

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KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
UNIVERSITY OF MONTANA
June 30, 2015 and 2014

CONTENTS

INTRODUCTION

The management's discussion and analysis (MD&A) provides an overview of KUFM-FM Radio's (KUFM) financial position and activities for the fiscal years ended June 30, 2015 and 2014. The MD&A emphasizes the current year and identifies any economic or financial factors which could have a significant impact on future operations. This discourse has been prepared by management and should be read in conjunction with the financial statements and notes following this section.

KUFM is a public service unit of the Montana University System as well as a National Public Radio affiliate. It provides public radio programming and services to communities in western and central Montana. With eight full-powered transmitters and four translators broadcasting twenty-four hours a day, KUFM boasts a coverage area spanning nearly half of Montana. KUFM's network service is branded as Montana Public Radio (MTPR) with central operations located at the University of Montana – Missoula.

USING THE FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the basic financial statements consist of the following three statements: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows; and notes to the financial statements. In addition to the financial statements, the MD&A is included as required supplementary information.

The financial statements are prepared using the accrual basis of accounting, whereas revenues are recognized when services are provided and expenses are recognized when goods or services are received, regardless of when cash is exchanged.

FINANCIAL HIGHLIGHTS AND ANALYSIS

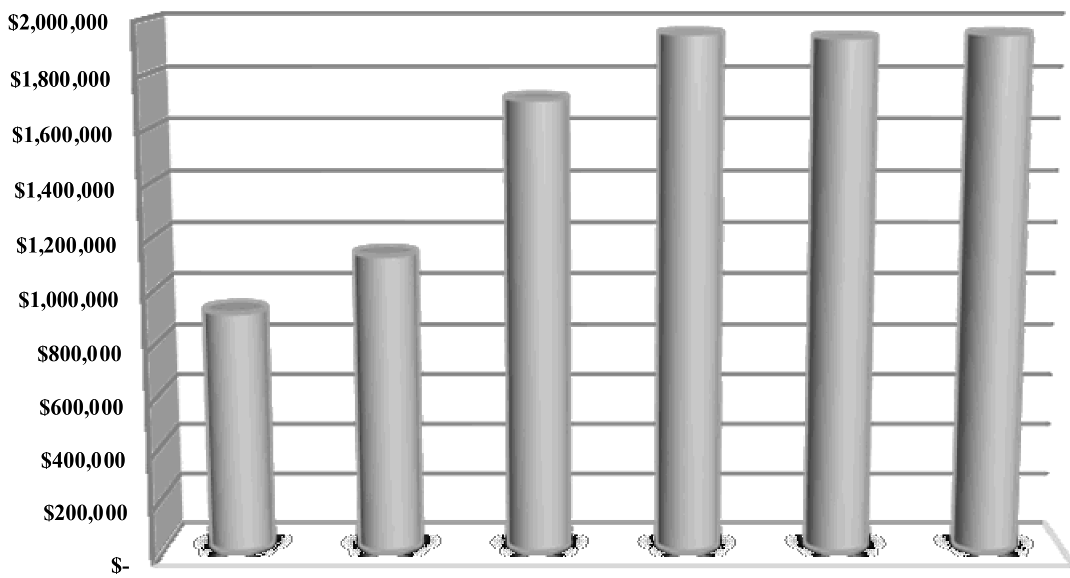
In FY15, KUFM implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which became effective for fiscal years ending after June 14, 2014. The statement established among other things, standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense. The effect of the changes from the implementation of GASB 68 was to reduce KUFM's net financial position by $760,255, or around 60%.

In FY15, revenues rose most notably from an increase in Private Gifts in the amount of $211,218, and an increase in indirect support from the University of Montana of $33,097, or an increase of 18% and 12%, respectively. These increases in revenue were offset by a decrease in State of Montana appropriations of $31,860. In FY15, KUFM's total operating expenses only rose by $115,153 or 5%. Overall, net position declined by $4,586, or $$81,562 less than in the prior year.

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

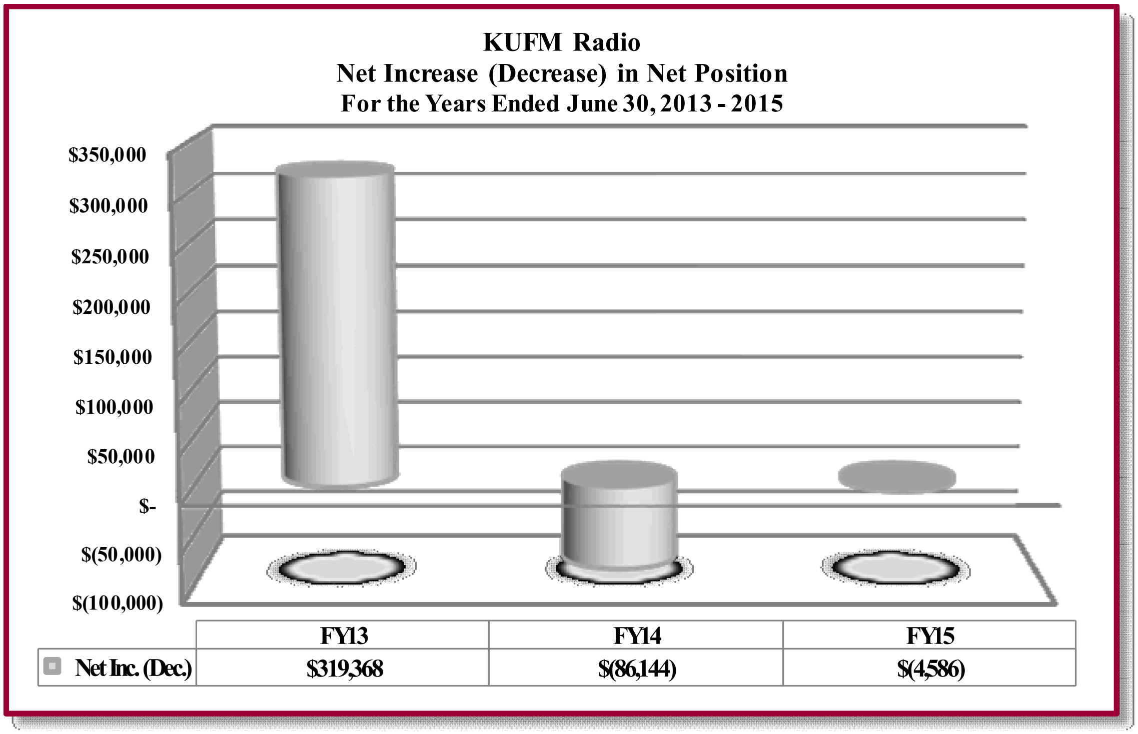
The following charts illustrate the current year changes and financial position of KUFM for prior years.

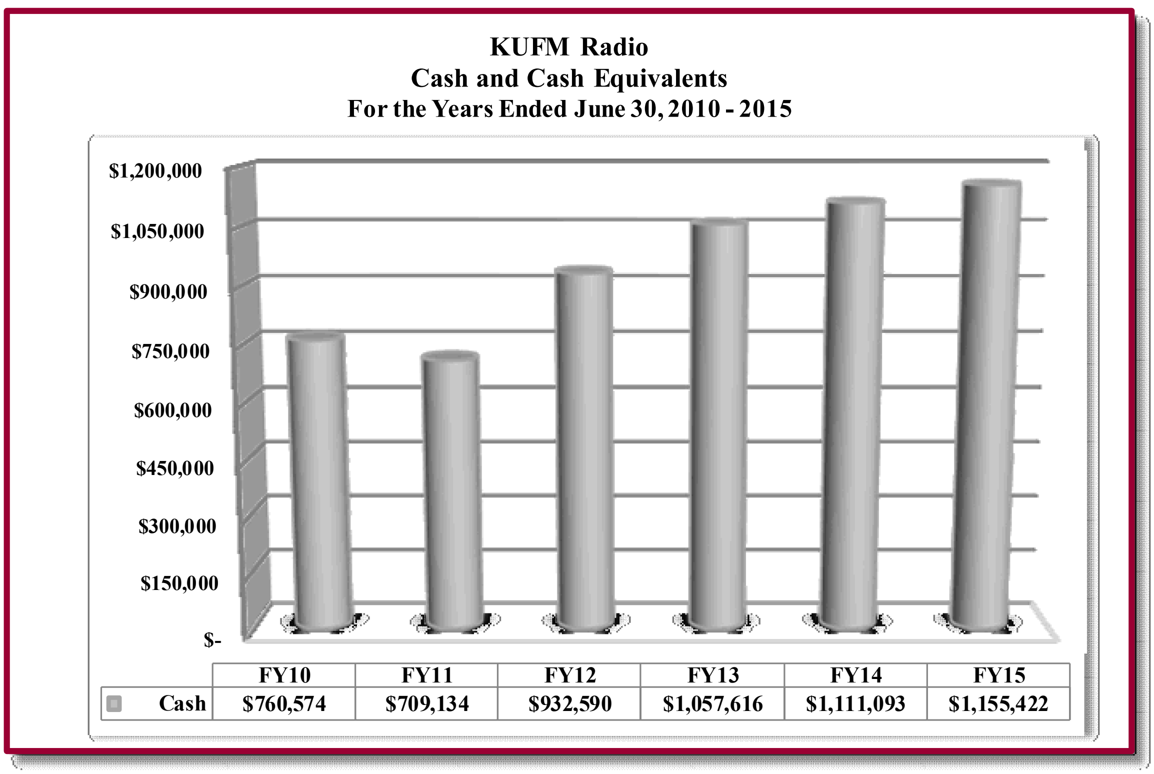
KUFM Radio
Total Assets
For the Years Ended June 30, 2010 - 2015



	FY10	FY11	FY12	FY13	FY14	FY15
Total Assets	$918,117	$1,131,408	$1,708,400	$1,948,557	$1,934,040	$1,946,806

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)





FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

Statement of Net Position

The Statement of Net Position presents the financial position of KUFM at the end of the fiscal year and includes all assets and liabilities. The difference between total assets and total liabilities (Net Position) is one indicator of whether the overall financial condition of an entity has improved or worsened during the year. Assets and liabilities are generally measured using current values except for capital assets, which are stated at historical cost less an allowance for depreciation.

A summary of the Statements of Net Position is as follows at June 30:

	2015	2014	Restated 2013
ASSETS			
Total current assets	$ 1,289,010	$ 1,240,628	$ 1,196,238
Total non-current assets	657,796	693,412	752,319
Total Assets	1,946,806	1,934,040	1,948,557
DEFERRED OUTFLOWS OF RESOURCES	52,488	-	-
	$ 1,999,294	$ 1,934,040	$ 1,948,557
LIABILITIES			
Total current liabilities	$ 350,080	$ 310,347	$ 233,295
Total non-current liabilities	978,527	354,955	360,380
Total liabilities	1,328,607	665,302	593,675
DEFERRED INFLOWS OF RESOURCES	162,204	-	-
NET POSITION			
Net invested in capital assets	481,628	500,079	568,178
Restricted	176,365	191,639	168,980
Unrestricted	(149,510)	577,020	617,724
Total net position	508,483	1,268,738	1,354,882
	$ 1,999,294	$ 1,934,040	$ 1,948,557

Events or developments which occurred during 2015

- Current assets increased by over $48,000, due primarily to an increase in cash and cash equivalents and accounts receivable of $44,000 and $24,000, respectively. The increase in cash and accounts receivable reflects an increase in fundraising activities. Offsetting the increases in current assets was a $20,000 decline in prepaid expenses.

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

- KUFM recorded deferred outflows of resources of $52,488 from the implementation of GASB 68, *Accounting and Financial Reporting for Pensions*, in FY15. KUFM did not restate FY14 for GASB 68 because insufficient actuarial data was available.

- Noncurrent assets decreased by almost $36,000 in FY15 due to a $26,000 decline in capital assets from the increase in accumulated depreciation, net of additions, and a decrease of $9,000 in endowment investments due primarily to a decrease in fair market value.

- Current liabilities increased by over $39,000 due to a large extent from increases in accounts payable and accrued liabilities ($11,000), property held in trust ($35,000) and deferred revenue ($6,000). KUFM solicits funds for Great Falls Public Radio Association – KGPR and records donations received on their behalf in property held in trust. The increase in deferred revenue is primarily from CPB Community Service Grant revenue received in FY15 for fiscal year 2016. The increase in total current liabilities was offset by a reduction of accrued compensated absences just under $13,000.

- Deferred inflows were recorded in FY15, of $162,204 as result of the implementation of GASB 68. FY14 was not restated because insufficient actuarial information was available for prior years.

- Noncurrent liabilities increased in FY15 due to liability adjustments for other postemployment benefits (OPEB). Increases for the liability for health benefits of $26,644, calculated in accordance with GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and an adjustment for pensions calculated in accordance with GASB 68, *Accounting and Financial Reporting for Pensions* of $627,762 attributed to the increased noncurrent liabilities. Decreased advances from primary government of $7,800 and a decrease in compensated absences of $20,000 offset a portion of the increase.

- The net position of KUFM declined by over $760,000 in FY15 due largely to the $756,000 prior period adjustment to record the net pension liability required by GASB 68. The remaining decrease is due to an almost $5,000 decrease in FY15 net position which is an $82,000 improvement over FY14 results.

Events or developments which occurred during 2014

- Current assets increased by over $44,000, due primarily to an increase in cash and cash equivalents and prepaid expenses of $53,000 and $23,000, respectively. Offsetting the increases in current assets was a $31,000 decline in accounts receivable, which reflects a drop in pledges due to the poor FY14 spring fund raising drive.

- Noncurrent assets decreased by almost $59,000 in FY14 due primarily to a $76,000 decline in capital assets from the increase in accumulated depreciation. This decrease capital assets was offset by an almost $17,000 increase in endowment investments due primarily to an increase in fair market value.

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

- Current liabilities increased by over $77,000 to a large extent from increases in accounts payable and accrued liabilities ($18,000), property held in trust ($36,000) and deferred revenue ($30,000). KUFM solicits funds for Great Falls Public Radio Association – KGPR and records donations received on their behalf in property held in trust. The increase in deferred revenue is primarily from CPB Community Service Grant revenue received in FY14 for fiscal year 2015.

- Noncurrent liabilities decreased by $5,400 due largely to a reduction on advances from primary government of $7,700 and a decrease in compensated absences of almost $17,000. The FY14 increase in the liability for other postemployment benefits (OPEB) of $19,000, calculated in accordance with GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, offset the decreases to accrued liabilities described above.

- The net position of KUFM declined by over $86,000 in FY14 due largely to a decline in fund raising revenue during the year. To help mitigate the decrease in revenues, KUFM reduced operating expenses, and relied on UM Foundation reserves to cover most of the remaining revenue shortfall. The beginning net position in FY14 was restated to correct the other postemployment benefit liability balance, which resulted in an increase to net position of 43,050.

Statement of Revenues, Expenses and Changes in Net Position

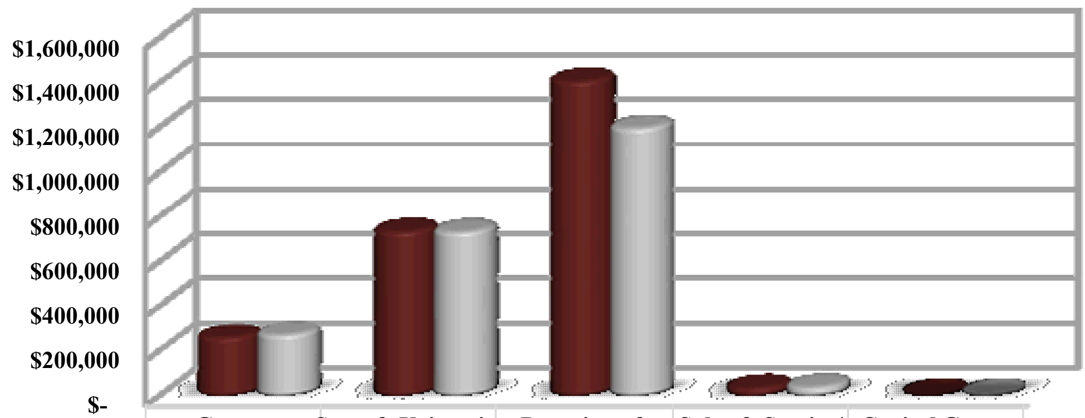
The Statement of Revenues, Expenses, and Changes in Net Position present the results of KUFM's operational activities. In accordance with GASB, revenues and expenses are classified as either operating or non-operating. Operating revenues and expenses are the inflows or uses of funds related directly to fulfilling the entity's purpose (i.e. providing public radio services). Non-operating revenues are revenues earned for which goods or services are not provided and include private gifts and investment income. Non-operating expense is interest on long-term debt. The FY13 operating expenses and beginning net position were restated because of the correction to the other postemployment liability.

A summary of the Statements of Revenues, Expenses and Changes in Net Position is as follows at June 30:

	2015	2014	Restated 2013
Operating revenue	$ 1,004,778	$ 990,456	$ 1,068,395
Operating expenses	2,412,903	2,297,750	2,521,809
Operating loss	(1,408,125)	(1,307,294)	(1,453,414)
Non-operating revenues	1,403,539	1,221,150	1,660,844
Income (loss) before other revenues	(4,586)	(86,144)	207,430
Capital grants and gifts	-	-	111,938
Net change in net position	(4,586)	(86,144)	319,368
Net position, beginning of year, as previously reported	1,268,738	1,354,882	999,935
Net position, prior period adjustment	(755,669)	-	35,579
Net position, end of year	$ 508,483	$ 1,268,738	$ 1,354,882

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

The following chart provides a graphical representation of revenues by source for fiscal years 2015 and 2014:



	Grants	State & University Support	Donations & Contributions	Sales & Service/ Miscellaneous	Capital Grants
FY15	$252,832	$726,581	$1,400,479	$28,561	$-
FY14	$264,902	$725,344	$1,189,261	$32,312	$-

<u>Events or developments which occurred during 2015</u>

- While operating revenues were up slightly in FY15, nonoperating revenues increased by $182,000, primarily due to an increase in donations and contributions of $211,000, or 18%. A decrease in investment income of $29,000 from a decline in fair market value, offset a portion of the increase in nonoperating revenues. The increase in operating expenses of $115,000 was largely from a wage increase of 2.5% plus $250 negotiated with employee bargaining units and a similar wage increase for administrators and contract professionals. Even though net position decreased in by almost $5,000, it was an $82,000 improvement over FY14 results.

<u>Events or developments which occurred during 2014</u>

- In FY14, revenues declined in almost all categories, particularly private gifts and capital grants, which decreased by $462,208 and $111,938, respectively. The decline is primarily because of a significant shortfall in the Spring 2014 fund drive and a decrease in capital funding due to the completion of major capital projects during the year. In response to the decrease in operating and non-operating revenues, KUFM reduced operating expenses by $224,059, and used UM Foundation reserves to cover most of the remaining revenue shortfall.

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

Statement of Cash Flows

The Statement of Cash Flows provides additional information about KUFM's financial results by reporting the major sources and uses of cash. This statement aids in assessing KUFM's ability to a) meet obligations and commitments as they become due, b) generate future cash flows, and c) recognize the need for external financing.

A summary of the Statements of Cash Flows is as follows at June 30:

	2015	2014	2013
CASH PROVIDED BY (USED IN)			
Operating activities	$(1,260,496)	$(1,179,519)	$(1,455,647)
Noncapital financing activities	1,332,025	1,225,521	1,632,072
Capital and related financing activities	(39,797)	(7,824)	57,958
Investing activities	12,597	15,299	(109,357)
Net change in cash and cash equivalents	44,329	53,477	125,026
Cash and cash equivalents – beginning of year	1,111,093	1,057,616	932,590
Cash and cash equivalents – end of year	$ 1,155,422	$ 1,111,093	$ 1,057,616

Events or developments which occurred during 2015

Specific events or cash transactions that had a significant influence on the increase in cash (a net cash inflow) of approximately $44,000 during fiscal year 2015 were:

- Cash used in operating activities increased by over $80,000, increasing from $1,179,000 cash used in FY14 to $1,260,000 cash used in FY15. An increase of $117,000 in cash used for operating expenses, primarily due to a wage increase for classified employees and administrators, accounts for most of the increase.

- Cash provided by financing activities increased by almost $107,000 due primarily to a significant increase in private gifts during FY15. KUFM used cash ($31,900) to acquire capital assets during the fiscal year.

- Cash provided by investing activities of over $12,000 is primarily from endowment investment earnings.

Events or developments which occurred during 2014

Specific events or cash transactions that had a significant influence on the increase in cash (a net cash inflow) of approximately $53,000 during fiscal year 2014 were:

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

- Cash used in operating activities declined by over $276,000, decreasing from $1,455,000 cash used in FY13 to $1,799,000 cash used in FY14. A reduction of $310,000 in cash used for operating expenses accounts for most of the decline, which was partly in response to a significant decline in donations from fund raising efforts.

- Cash provided by financing activities declined by almost $407,000 due primarily to a significant shortfall in the Spring 2014 fund drive. KUFM did not receive or use cash to acquire capital assets during the fiscal year.

- Cash provided by investing activities of over $15,000 is primarily from endowment investment earnings.

ECONOMIC OUTLOOK

- Corporation for Public Broadcasting (CPB) funding from Congress will be level for the next two years. Even at level funding, federal support is eroded by inflation. In FY2015, CPB funds comprised only 10.5% of total station revenue. Starting in FY2016 the CPB formula for rural station allocations will change and MTPR will receive less CPB rural funding.

- University of Montana budget reductions over the past three years have had a significant negative impact on MTPR's operations and personnel budgets. These base-budget cuts are not likely to be restored and further reductions are possible. In response, the station reduced some programming costs, restructured some staff schedules, eliminated an administrative assistant position and moved portions of essential positions previously funded by UM onto fundraising money. In addition, a significant shortfall in the spring 2014 membership revenue caused MTPR to rely on reserve funds to meet operational expenses in FY2015.

- In response, the FY 2016 budget includes larger goals for membership support, corporate support and major and planned gift giving. After conducting a series of community meetings around its service area, the station believes there is potential for growth in revenue from listeners, businesses and area foundations. Increasing the Digital Content Manager position from half-time to full time identified in the station's 2014-2017 strategic plan was included in the FY2016 funding plan.

- The Broadcast Media Center (BMC) and the UM Foundation funded a Major Giving Officer position for the BMC in October of 2014. This position is an important response to major financial needs for MTPR in the coming years. The station has prioritized developing an unrestricted Opportunity and Infrastructure Fund, as well as substantially increasing the Montana Public Radio Endowment.

- In 2015 MTPR filled a vacant Corporate Support Manager position. The new manager has significant experience in media sales including public radio underwriting. The station anticipates strengthening corporate support revenue under this new leadership.

ECONOMIC OUTLOOK (continued)

- In the summers of 2016 and 2017 MTPR plans to replace six aged transmitters and to change from a satellite-based program delivery system to one fed by terrestrial microwave. The station will fund this infrastructure project from member donations and potential grant support from local and regional foundations. Microwave program delivery will be less costly on an annual basis and more reliable than satellite delivery.

- MTPR took out a $38,000 Intercap loan in March 2011 to fund the acquisition of membership software, replacing an antiquated custom-designed software program that had reached the end of its usefulness. The four-year term (currently at 1.0%) requires yearly payments of approximately $8,000 and will be retired in February 2016.

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INDEPENDENT AUDITOR'S REPORT

University of Montana
Missoula, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of KUFM-FM Radio (a public telecommunications entity operated by the University of Montana), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise KUFM-FM Radio's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

KUFM-FM Radio's 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KUFM-FM Radio, as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B to the financial statements a prior period adjustment has been made to the financial statements due to the implementation of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions. The June 30, 2014 financial statements were not restated as the information required was not available.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1 through 10, the schedule of funding status for other post employment benefits for health insurance on page 31, the schedule of KUFM's proportionate share of the net pension liability on page 32, and the schedule KUFM's contributions to the public employees retirement system on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

As discussed in Note A to the financial statements, KUFM-FM Radio received $6,650 and $5,400, respectively, in in-kind professional fees for the years ended June 30, 2015 and 2014.

Wipfli LLP

Missoula, Montana
January 12, 2016

KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
UNIVERSITY OF MONTANA
STATEMENTS OF NET POSITION
June 30

ASSETS AND DEFERRED OUTFLOWS

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	**$ 1,155,422**	$ 1,111,093
Accounts receivable, net	**126,677**	102,347
Prepaid expenses	**6,911**	27,188
Total current assets	**1,289,010**	1,240,628
NONCURRENT ASSETS		
Endowment investments	**168,341**	177,746
Capital assets, net	**489,455**	515,666
Total noncurrent assets	**657,796**	693,412
Total assets	**1,946,806**	1,934,040
DEFERRED OUTFLOWS OF RESOURCES - pension related	**52,488**	-
	$ 1,999,294	$ 1,934,040

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2015	2014
CURRENT LIABILITIES		
Accounts payable	**$ 34,856**	$ 23,864
Property held in trust for others	**155,218**	120,252
Due to primary government	**7,827**	7,760
Unearned revenue	**92,875**	86,263
Accrued compensated absences	**59,304**	72,208
Total current liabilities	**350,080**	310,347
NONCURRENT LIABILITIES		
Advances from primary government	**-**	7,827
Net OPEB liability-health benefits	**270,399**	246,755
Net pension liability	**627,762**	-
Accrued compensated absences	**80,366**	100,373
Total noncurrent liabilities	**978,527**	354,955
Total liabilities	**1,328,607**	665,302
DEFERRED INFLOWS OF RESOURCES - pension related	**162,204**	-
NET POSITION		
Invested in capital assets, net of related debt	**481,628**	500,079
Restricted for nonexpendable	**176,365**	191,639
Unrestricted	**(149,510)**	577,020
Total net position	**508,483**	1,268,738
	$ 1,999,294	$ 1,934,040

The accompanying notes are an integral part of these financial statements.

KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
UNIVERSITY OF MONTANA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the years ended June 30

	2015	2014
OPERATING REVENUES		
State appropriations	**$ 424,523**	$ 456,383
Federal grants and contracts	**-**	7,234
Grants from CPB	**250,728**	243,857
Non-governmental grants and contracts	**2,104**	13,811
Indirect cost recoveries	**302,058**	268,961
Other revenue	**25,365**	210
Total operating revenues	**1,004,778**	990,456
OPERATING EXPENSES		
Program services	**1,617,815**	1,556,073
Management and general	**458,540**	307,509
Fundraising	**278,437**	358,458
Depreciation expense	**58,111**	75,710
Total operating expenses	**2,412,903**	2,297,750
OPERATING LOSS	**(1,408,125)**	(1,307,294)
NONOPERATING REVENUES/(EXPENSES)		
Private gifts	**1,400,479**	1,189,261
Investment income	**3,196**	32,102
Interest expense	**(136)**	(213)
Net nonoperating revenues/(expenses)	**1,403,539**	1,221,150
CHANGE IN NET POSITION	**(4,586)**	(86,144)
NET POSITION - Beginning of year, as previously reported	**1,268,738**	1,354,882
NET POSITION - Beginning net position restatement	**(755,669)**	-
NET POSITION - End of year	**$ 508,483**	$ 1,268,738

The accompanying notes are an integral part of these financial statements.

KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
UNIVERSITY OF MONTANA
STATEMENTS OF CASH FLOWS
for the years ended June 30

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
State appropriations	**$ 424,523**	$ 456,383
Grants from state agencies	**-**	353
Federal grants and contracts	**-**	4,321
Grants from CPB	**286,718**	258,956
Nongovernmental grants & contracts	**2,104**	15,061
Indirect cost recoveries	**302,058**	268,961
Other revenue	**25,367**	210
Operating expenses	**(2,301,266)**	(2,183,764)
Net cash used in operating activities	**(1,260,496)**	(1,179,519)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private gifts	**1,332,025**	1,225,521
CASH FLOWS FROM INVESTING ACTIVITIES		
Contributions to endowments	**9,401**	(16,803)
Earnings received on investments	**3,196**	32,102
Net cash received from investing activities	**12,597**	15,299
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for capital assets	**(31,900)**	-
Payments on notes payable	**(7,897)**	(7,824)
Net cash used by capital and related financing activities	**(39,797)**	(7,824)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**44,329**	53,477
CASH AND CASH EQUIVALENTS - Beginning of year	**1,111,093**	1,057,616
CASH AND CASH EQUIVALENTS - End of year	**$ 1,155,422**	$ 1,111,093
CASH FLOWS USED IN OPERATING ACTIVITIES		
Operating loss	**$ (1,408,125)**	$ (1,307,294)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	**58,111**	75,710
In-kind contributions	**14,750**	12,600
Decrease (increase) in accounts receivable	**18,646**	(6,650)
Decrease (increase) in prepaid expenses	**20,277**	(23,138)
Increase in accounts payable	**10,992**	18,387
Increase in property held in trust for others	**34,966**	36,358
Increase in net OPEB liability-health benefits	**23,644**	19,259
Decrease in net pension liability	**(18,190)**	-
Increase in unearned revenue	**17,344**	20,438
Decrease in compensated absences	**(32,911)**	(25,189)
Net cash flows used in operating activities	**$ (1,260,496)**	$ (1,179,519)

The accompanying notes are an integral part of these financial statements.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. The University of Montana's licensee KUFM-FM Radio (KUFM) is a non-profit public radio station operating from the campus of the University of Montana- Missoula. Currently, KUFM services the Missoula area and parts of Montana (nearly half of the State) which are within the KUFM reception area.

Reporting Entity. The accounting records for KUFM are maintained on a centralized Statewide Accounting, Budgeting and Human Resource System. The accompanying financial statements have been extracted from University funds and other financial information for presentation as a separate entity.

Basis of Presentation. In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. This was followed in November 1999, by GASB Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities. The State of Montana has implemented GASB Statement No. 34 as of and for the year ended June 30, 2003. As a component unit of the State of Montana, KUFM was also required to adopt GASB Statements No. 34 and No. 35. The latter statement was adopted as amended by GASB Statements No. 37 and No. 38. During the year ended June 30, 2003, KUFM also adopted GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions. During the year ended June 30, 2015, KUFM adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

The financial statements presentation required by GASB No. 34, No. 35 and No. 63/65 provides a comprehensive, entity-wide perspective of KUFM's assets, liabilities, net position, revenues, expenses, changes in net position, cash flows, and replaces the fund-group perspective previously required. GASB Statements No. 35 and 63/65 require that resources be classified for accounting and reporting purposes into the following four net position categories:

Invested in capital assets, net of related debt – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted, nonexpendable – Net position subject to externally imposed restrictions that require KUFM to maintain those assets permanently. Such assets include KUFM's permanent endowment funds. The endowment funds are made up of cash and investments. Investments are carried at fair market value per Governmental Accounting Standards Board (GASB) Statement No. 31, Account and Financial Reporting for Certain Investments and Certain Investment Pools.

Restricted, expendable – Net position whose use by KUFM is subject to externally imposed restrictions that can be fulfilled by actions of KUFM pursuant to those restrictions or that expire by the passage of time.

Continued

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Unrestricted – Net position that is not subject to externally imposed restrictions. Unrestricted net position may be designated for specific purposes by action of management or the Board of Regents or may otherwise be limited by contractual agreements with outside parties.

Cash and Cash Equivalents. Cash balances are maintained in pooled funds with other University funds. Cash deficits result from expenditures in excess of allocated cash balances. For purposes of the statement of cash flows, short-term investments are included in cash equivalents. Short-term investments are recorded at cost, which approximates market value. Investments consist of amounts invested through the Montana State Board of Investments using its short-term investment pool.

Accounts Receivable. Accounts receivable are primarily made up of pledges receivable. Pledges receivable are recognized by KUFM when the donor makes a promise to give that is unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net position if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in expendable or nonexpendable restricted net position depending on the nature of the restrictions. When an expendable restriction is fulfilled, expendable restricted net position is reclassified to unrestricted net position.

Due From Federal Government. Qualifying expenditures incurred prior to receipts from grants and contracts are accounted for as accounts receivable, due from federal government, or due from primary government depending on the source of the grant or contract.

Unearned Revenue. Receipts from unrestricted gifts and grants are recorded as revenue only to the extent expenses have been incurred for the purpose specified by the donors. Additional amounts are accounted for as unearned revenue until such time as qualifying expenditures have been incurred.

Functional Allocations. Certain expenses relating to instructional functions have been separated from the Radio-TV departmental accounting records to properly reflect the operations of KUFM. Personnel costs are used as a basis to establish percentages for allocation purposes. Similarly, allocations of certain KUFM expenses to programming, management and general, underwriting and fundraising services are based on estimated time which is identifiable with such services.

Revenue Recognition. Revenue from grants and contracts is recognized when qualified expenses are incurred under the grant or contract. Revenue from gifts and in-kind services is recognized when received.

In-Kind Contributions. Administrative support from the University of Montana consists of allocated institution and physical plant costs incurred by the University on behalf of KUFM. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. In 2015 and 2014, KUFM received $6,650 and $5,400, respectively, of in-kind professional services. They also received $8,100 of in-kind services and lease accommodation in both 2015 and 2014.

Continued

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Tax-Exempt Status. Since KUFM-FM Radio is a component of the University of Montana (a political subdivision of the State of Montana); it is exempt from federal income taxes under Internal Revenue Code Section 115. However, income generated from activities unrelated to the exempt purpose is subject to income tax under Internal Revenue Code Section 511(a)(2)(B). The Unrelated Business Income Tax (UBIT) amount was $0 for the years ended June 30, 2015 and 2014. The Station believes income tax filing positions will be sustained upon examination and do not anticipate any adjustments that would result in a material adverse affect on the financial statements or cash flows. Accordingly, no reserves or related accruals for interest or penalties for uncertain income tax positions have been recorded as of June 30, 2015 or 2014. The Station's income tax positions are subject to examination for the preceding three tax years. Any interest or penalties that may be assessed in the future will be recorded as management and general expenses.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Inflows of Resources. Deferred inflows represent the acquisition of resources that is applicable to a future reporting period.

Deferred Outflows of Resources. Deferred outflows represent the consumption of resources that is applicable to a future reporting period but do not require a future exchange of goods or services.

Capital Assets. Beginning fiscal year 2003, GASB 34 required government entities to record depreciation expense. Property and equipment is stated at cost. Depreciation is computed by the straight-line method over the following estimated useful lives:

Type of Asset	Capitalization Threshold	Useful Life
Buildings	$ 25,000	40 years
Building improvements	25,000	15 years
Land improvements	25,000	20 years
Infrastructure	500,000	40 years
Equipment		
Furniture	5,000	10 years
Data Processing/Computer Hardware	5,000	5 years
Office equipment	5,000	5 years
Research equipment	5,000	7 years
Other equipment	5,000	10 years
Vehicles	5,000	5 years
Used vehicles	5,000	3 years
Library books and materials	no lower limit	8 years
Intangibles	100,000	4 – 20 years
Software – Internally Generated	500,000	4 years

Continued

NOTE B BEGINNING NET POSITION RESTATEMENT

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for* Pensions, to improve accounting and financial reporting for pensions. This Statement is effective for fiscal years beginning after June 15, 2014. The Statement establishes among other things, standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense. This Statement identifies for defined benefit plans, the methods and assumptions that should be used to project benefit payments, to their actuarial present value and attribute the present value to periods of employee service. Additional note disclosure and required supplementary information about pensions are also required by this Statement. The July 1, 2014 balance of the net pension liability and related deferred outflows of resources and deferred inflows of resources is reported in the Statement of Revenues, Expenses, and Changes in Net Position as a restatement to the 2015 Net Position, Beginning of Year. Public Employees Retirement System and Teachers' Retirement System were not able to provide sufficient information to restate the June 30, 2014 financial statements. The effect of the changes from the implementation of GASB 68 was to reduce KUFM's previously stated beginning net position of $1,268,738 by $755,669.

Continued

NOTE C CAPITAL ASSETS

Following are the changes in capital assets for the years ended June 30:

2015	Beginning Balance	Additions	Deletions	Transfers and Other Changes	Ending Balance
Transmission, antenna & tower	**$ 865,365**	**$ -**	**$ -**	**$ -**	**$ 865,365**
Studio & broadcast equipment	**490,851**	**31,900**	**-**	**-**	**522,751**
Furniture, fixtures, and other equipment	**235,412**	**-**	**-**	**-**	**235,412**
Total capital assets	**1,591,628**	**31,900**	**-**	**-**	**1,623,528**
Less accumulated depreciation for:					
Transmission, antenna & tower	**819,074**	**29,741**	**-**	**-**	**848,815**
Studio & broadcast equipment	**206,207**	**23,249**	**-**	**-**	**229,456**
Furniture, fixtures and other equipment	**50,681**	**5,121**	**-**	**-**	**55,802**
Total accumulated depreciation	**1,075,962**	**58,111**	**-**	**-**	**1,134,073**
Capital assets, net	**$ 515,666**	**$ (26,211)**	**$ -**	**$ -**	**$ 489,455**

2014	Beginning Balance	Additions	Deletions	Transfers and Other Changes	Ending Balance
Transmission, antenna & tower	$ 865,365	$ -	$ -	$ -	$ 865,365
Studio & broadcast equipment	517,229	-	(44,773)	18,395	490,851
Furniture, fixtures, and other equipment	235,412	-	-	-	235,412
Construction in progress	18,395	-	-	(18,395)	-
Total capital assets	1,636,401	-	(44,773)	-	1,591,628
Less accumulated depreciation for:					
Transmission, antenna & tower	778,107	40,967	-	-	819,074
Studio & broadcast equipment	223,407	27,573	(44,773)	-	206,207
Furniture, fixtures and other equipment	43,511	7,170	-	-	50,681
Total accumulated depreciation	1,045,025	75,710	(44,773)	-	1,075,962
Capital assets, net	$ 591,376	$ (75,710)	$ -	$ -	$ 515,666

Continued

NOTE D ADVANCES FROM PRIMARY GOVERNMENT/DUE TO PRIMARY GOVERNMENT

In March 2011, KUFM-FM Radio entered into an Intercap loan agreement with the Montana Board of Investments for the purchase of new fundraising software. The loan is to be repaid in biannual installments through February 2016.

	2015	2014
Intercap loan payable to Montana Board of Investments, current interest rate of 1.00% adjusted annually, biannual principal and interest payments of $4,013 due February 15 and August 15 through February 2016.	**$ 7,827**	$ 15,587
Current portion - Due to primary government	**(7,827)**	(7,760)
	$ -	$ 7,827

NOTE E EMPLOYEE BENEFIT PLANS

Full-time employees of KUFM-FM Radio, depending on their individual classification, are members of the Public Employees' Retirement System (PERS) or the Montana University System - Retirement Program (MUS-RP).

Public Employees' Retirement System (PERS). The PERS-Defined Benefit Retirement Plan, administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Codes Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts. The plan provides retirement, disability, and death benefits to plan members and beneficiaries.

All new members are initially members of the PERS and have a 12-month window during which they may choose to remain in the PERS or join the PERS-Defined Contribution Retirement Plan (DCRP) by filing an irrevocable election. Members may not be members of both the *defined contribution* and *defined benefit* retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP). For members that choose to join the PERS-DCRP or the MUS-RP, a percentage of the employer contributions will be used to pay down the liability of the PERS.

The PERS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation.

Continued

NOTE E EMPLOYEE BENEFIT PLANS, continued

Summary of Benefits-

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011 - highest average compensation during any consecutive 36months;
- Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;
- Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

Eligibility for Benefit

Hired prior to July 1, 2011:

- Age 60, 5 years of membership service;
- Age 65, regardless of membership service; or
- Any age, 30 years of membership service.

Hired on or after July 1, 2011:

- Age 65, 5 years of membership service;
- Age 70, regardless of membership service.

Early retirement (reduced benefit)

Hired prior to July 1, 2011:

- Age 50, 5 years of membership service; or
- Any age, 25 years of membership service.

Hired on or after July 1, 2011:

- Age 55, 5 years of membership service.

Vesting

- 5 years of membership service

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Continued

NOTE E EMPLOYEE BENEFIT PLANS, continued

*Guaranteed Annual Benefit Adjustment (GABA)**

- 3% for members hired **prior to** July 1, 2007
- 1.5% for members hired **on or after** July 1, 2007
- After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, **inclusive** of other adjustments to the member's benefit.

<u>Contributions to the Plan-</u> Rates are specified by state law for periodic employer and employee contributions. The State legislature has the authority to establish and amend contribution rates to the plan. Employer and employee contribution rates for 2015 and 2014 were 7.90% and 8.27%, respectively.

- Temporary increases enacted by the 2013 Legislature, to employer and employee contribution rates will decrease 1.27% and 1.0%, respectively on January 1, 2016, if the actuary valuation results show the amortization period has dropped below 25 years and will remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
- Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024.
- Effective July 1, 2013, the additional employer contributions for MUS-RP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability.
- Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
- Non employer contributions by the State to PERS from the Coal Tax Severance fund is not considered special funding.

<u>Actuarial Assumptions-</u> The total pension liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period July 1, 2003 to June 30, 2009.

Among those assumptions were the following:

- General Wage Growth, including inflation at 3% — 4.00%
- Merit Increases — 0% to 7.3%
- Investment Return — 7.75%
- Postretirement Benefit Increases
    - For members hired prior to July 1, 2007 — 3.00%
    - For members hired on or after July 1, 2007 — 1.50%
    - After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.

Continued

NOTE E EMPLOYEE BENEFIT PLANS, continued

- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate- The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Codes Annotated. In addition, the State contributes coal severance tax money from the general fund quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, 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**.** No municipal bond rate was incorporated in the discount rate.

Target Allocations- The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by 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 by the investment consultant for each major asset class. These ranges were 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 then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Best estimates of arithmetic real rates of return for each major asset class included in the PERS – DBRP target asset allocation as of June 30, 2014, is summarized in the table below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

Continued

NOTE E EMPLOYEE BENEFIT PLANS, continued

Sensitivity Analysis- The following presents PERS net pension liability and the University's proportionate share of the net pension liability at June 30, 2014, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
PERS Net Pension Liability	$1,982,274,732	$1,246,010,898	$625,044,646
KUFM's proportionate share of the net pension liability	$998,675	$627,762	$314,899

Net Pension Liability-
At June 30, 2015, KUFM recorded $627,762 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the net pension liability was based on the employer's contributions received by PERS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERS participating employers. At June 30, 2014, the employer's proportion was 0.05%.

There were no changes in actuarial assumptions and methods, plan benefit terms and the University's share of the net pension liability, between the measurement date of the total pension liability and June 30, 2015.

For the year ended June 30, 2015, KUFM recognized pension expense of $48,682. The University also receives funding that is not special funding whereby the State general fund provides contributions from the Coal Severance Tax and interest. The KUFM recognized $31,715 for its proportionate share from this funding source.

Continued

NOTE E EMPLOYEE BENEFIT PLANS, continued

Deferred Outflows and Deferred Inflows- At June 30, 2015, the KUFM's proportionate share of PERS deferred outflows of resources and deferred inflows of resources were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	$ -	$162,204
Changes in proportion differences between employer contributions and proportionate share of contributions	2,582	
Contributions paid to PERS subsequent to the measurement date.	49,906	-
Total	$ 52,488	$162,204

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	($39,690)
2017	($39,690)
2018	($39,691)
2019	($40,551)
2020	$ -
Thereafter	$ -

NOTE E EMPLOYEE BENEFIT PLANS, continued

Montana University System - Retirement Program (MUS-RP). This system was established in January of 1998, and is underwritten by the Teachers' Insurance and Annuity Association-College Retirement Equity Fund (TIAA-CREF). The MUS-RP is a defined contribution plan. The benefits at retirement depend upon the amount of investing gains and losses and the employee's life expectancy at retirement. Under the MUS-RP, each employee enters into an individual contract with TIAA-CREF (therefore, the employee assumes the investment risk for their retirement). Montana State University records employee/employer contributions, and remits monies to TIAA-CREF. Individuals are immediately vested with contributions. For MUS-RP participants 4.72% was contributed to TRS as employer contributions to amortize past service unfunded liability in accordance with state law. In addition, 3.68% was contributed to PERS from MUS-RP staff employer contributions to amortize past service unfunded liability in accordance with state law.

Other Post-Employment Benefits

Authorization. Montana State law requires state agencies to provide access to health insurance benefits to eligible retirees up to Medicare – eligible age (65) (§2-18-704(1)(a), MCA). The Board of Regents of the Montana University System (MUS), having broad authority to act in the best interests of the MUS, has directed the Office of the Commissioner of Higher Education (OCHE) to provide access to health insurance benefits beyond age 65. Eligible University retirees may participate in the health insurance plan, provided that they contribute to the cost of the plan.

Eligibility. Retirees who are eligible to receive retirement benefits from Teachers Retirement System (TRS) or the Public Employees Retirement System (PERS) at the time employment ceases may participate in the plan. Retirees who are in the Montana University System – Retirement Program (MUS-RP) (through TIAA-CREF) or any other defined contribution plan associated with the MUS must have worked five or more years and be age 50, or have worked 25 years with the MUS to be eligible for retiree insurance benefits. The MUS's Interunit Benefits Committee, at the direction of the OCHE, sets the premiums for such participation. Until a retiree reaches age 65, individual retiree participation premiums range from $600 to $1,410 per month, depending on the level of deductible and other selected plan features. Upon reaching age 65 (Medicare eligibility), monthly participation premiums range from $259 to $951 for an individual retiree. Coverage is also extended to dependents and surviving dependents of the employee.

Financial and plan information. The MUS Group Benefits Plan does not issue a standalone financial report, but is subject to audit as part of the State of Montana's Comprehensive Annual Financial Report (CAFR). A copy of the most recent CAFR can be obtained online at http://sfsd.mt.gov/SAB/CAFR.asp or by contacting the Montana Department of Administration, P. O. Box 200102, Helena, MT 59620-0102.

Continued

NOTE E EMPLOYEE BENEFIT PLANS, continued

The plan is considered to be a multi-employer agent plan. All units of the MUS fund the post-employment benefits on a pay-as-you-go basis from general assets. The University's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The calculated ARC represents an amount that, if funded, would cover normal cost each year and amortize any unfunded actuarial liability over a period of 30 years. For the fiscal years ended June 30, 2015 and June 30, 2014, KUFM's annual OPEB cost (expense) was $31,461 and $21,658, respectively. The actuarial determination was based on plan information as of July 1, 2013. At that time, the number of active participants in the health insurance plan was 3,016.

The total number of inactive (retiree and dependent) participants was 893. During the year ended June 30, 2015 and 2014, the University contributed $31,816,876 and $29,040,377 for actively employed participants, whose annual covered payroll totaled $176,743,341 as of the last actuarial valuation. The University makes an annual contribution to the plan for retirees and their dependents.

As of the latest actuarial evaluation, the actuarial accrued liability for retiree health benefits was $39,903,367. The percentage of annual OPEB cost contributed to the plan was 0% for both years, and the net OPEB obligation was $270,400 and $246,755 for 2015 and 2014, respectively. The funded status of the plan as of June 30 was 0% for both years.

KUFM's OPEB obligations for 2015, 2014 and 2013 are:

Year ended June 30	**2015**	2014	2013
Annual required contribution	**$ 31,461**	$ 21,658	$ 28,018
Interest on net OPEB obligation	**13,777**	8,307	7,344
Amortization of net OPEB obligation	**(10,806)**	(6,516)	(5,760)
Annual OPEB cost	**34,432**	23,449	29,602
Contributions made	**(10,788)**	(4,190)	(1,893)
Increase to net OPEB obligation	**23,644**	19,259	27,709
Net OPEB obligation - beginning of year	**246,755**	227,496	199,787
Net OPEB obligation - end of year	**$ 270,399**	$ 246,755	$ 227,496

Continued

NOTE E EMPLOYEE BENEFIT PLANS, continued

Actuarial Methods and Assumptions. The projected unit credit funding method was used to determine the cost of the University of Montana Employee Group Benefits Plan. This method's objective is to fund each participant's benefits under the plan as they accrue. The total benefit to which each participant is expected to become entitled at retirement is categorized into units, each associated with a year of past or future credited service. The actuarial assumptions included, in addition to marital status at retirement, mortality rates and retirement age:

Interest/Discount rate	4.25%
Projected payroll increases	2.50%
Participation percentage:	55% of future retirees are assumed to elect coverage at the time of retirement, 60% of future eligible spouses of future retirees are assumed to elect coverage

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Such events include assumptions about future employment, mortality rates, and healthcare cost trends. Amounts are subject to continual review and revision as actual results are compared with past expectations and new estimates are made.

Projections of benefits for financial reporting progress are based on the substantive plan (the plan as understood by the employer and the plan members) and includes, the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

NOTE F RELATED PARTY TRANSACTIONS

KUFM Radio receives non-monetary contributions from the University of Montana for the space and use of the facility. During 2015 and 2014, these contributions totaled $302,058 and $268,961, which is equivalent to the amount of indirect plant expense incurred during 2015 and 2014, respectively.

NOTE G COMMITMENTS

Under the terms of an agreement with the Great Falls Public Radio Association (GFPRA), KUFM is obligated to pay GFPRA either a lump sum amount or monthly payments, as requested by GFPRA. Such amounts are limited to total annual donor collections from the GFPRA reception area. During 2015 and 2014, no such payments were made. GFPRA receives substantially all of its programming from KUFM and KUFM has the exclusive right to solicit and collect contributions in the GFPRA reception area. The current agreement is in effect through August 30, 2015, with either party having the ability to terminate the agreement at any time upon 60 days written notice.

 Continued

NOTE H SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2015 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2015. This analysis has been performed through January 12, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Funding Status for Other Post Retirement Benefits for Health Insurance

The University's funded status of the plan as of the actuarial valuations dated July 1 was as follows:

	2009	2011	2013
Actuarial accrued liability (AAL)	$ 80,475,030	$ 48,159,444	$ 39,903,367
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	$ 80,475,030	$ 48,159,444	$ 39,903,367
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%	0.00%
Covered payroll (active plan members)	$ 167,395,949	$ 166,132,779	$ 176,743,341
UAAL as a percentage of covered payroll	48.07%	28.99%	22.58%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Such events include assumptions about future employment, mortality rates, and healthcare cost trends. Actuarially determined amounts are subject to continual review and revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial assumptions included in the valuations, in addition to marital status at retirement, mortality rates and retirement age, were as follows:

Actuarial Valuation Date:	**July 1, 2009**	**July 1, 2011**	**July 1, 2013**
Interest/Discount rate	4.25%	4.25%	4.25%
Projected payroll increases	2.50%	2.50%	2.50%
Participant Percentage:			
Future retirees assumed to elect covereage at retirement	55.00%	55.00%	55.00%
Future eligible spouses of future retirees assumed to elect coverage	60.00%	60.00%	60.00%

Public Employees Retirement System

Schedule of KUFM's Proportionate Share of the Net Pension Liability (NPL)

Year	KUFM's Proportion of the NPL	KUFM's Share of the NPL	KUFM's Covered Employee Payroll	KUFM's Share of the NPL as a % of Covered Employee Payroll	Plan Fiduciary Net Position as a % of Total Pension Liability
2015	0.05%	$ 627,762	$ 597,646	105%	80%

Schedule of KUFM's Contributions

Year	Contractually Required Contributions	Contributions Made*	Excess/(Deficiency)	KUFM's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	$ 49,906	$ 49,906	$ -	$ 659,001	8%

*Includes contributions made as a percent of MUS-RP covered payroll as well as PERS covered payroll at statutory rates.

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.