The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.

YELLOWSTONE PUBLIC RADIO/
KEMC-FM

(A Public Radio Entity)
Operated by the Montana State University-Billings

FINANCIAL REPORT

June 30, 2015

C O N T E N T S

402 NORTH BROADWAY, 4th FLOOR • P.O. BOX 20435 • BILLINGS, MONTANA 59104-0435
TEL: 406.245.5136 • FAX: 406.245.6056 • WEB: www.azworld.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Yellowstone Public Radio/KEMC-FM
(A Public Radio Entity)
Operated by Montana State University-Billings
Billings, Montana

We have audited the accompanying financial statements of the business type activities and discretely presented component unit of Yellowstone Public Radio/KEMC-FM (A Public Radio Entity) operated by Montana State University-Billings (the Station) as of and for the year ended June 30, 2015, 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.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Yellowstone Public Radio/KEMC-FM as of June 30, 2015, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Station are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of Montana State University-Billings that is attributable to the transactions of the Station. They do not purport to and do not present fairly the financial position of Montana State University-Billings or the Montana University System as of June 30, 2015, and the changes in its financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Funding Progress for Other Post-retirement Benefits Plan, Schedule of Proportionate Share of the Net Pension Liability, and the Schedule of Contributions on pages 4-8 and 49-52, respectively, 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 the 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Yellowstone Public Radio/KEMC-FM's basic financial statements. The supplementary schedule on page 53 is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Prior-Year Comparative Information

We have previously audited Yellowstone Public Radio/KEMC-FM's June 30, 2014, financial statements, and we expressed an unmodified opinion in our report dated January 12, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Anderson ZurMuehlen + Co, P.C.

Billings, Montana
January 11, 2016

Yellowstone Public Radio is operated by Montana State University-Billings, a component unit of the State of Montana. Friends of Public Radio (Friends) is an affiliate that raises funds to provide financial and other support to Yellowstone Public Radio. The discussion and analysis that follows provides an overview of the consolidated Yellowstone Public Radio and Friends financial activities for the fiscal years ended June 30, 2015 and 2014.

Financial Summary

The financial statements show operating revenues of $505,266 and $522,093 and operating expenses of $1,554,028 and $1,574,944, netting to an operating loss of $1,048,762 and $1,052,851 for the years ended June 30, 2015 and 2014, respectively. This operating loss is offset by non-operating revenues of $1,086,714 and $1,202,257; bringing the change in net assets for fiscal years 2015 and 2014 to $37,952 and $149,406, respectively.

The assets of Yellowstone Public Radio and Friends exceeded liabilities by $1,786,193 and $2,267,520 for fiscal years 2015 and 2014, respectively.

Yellowstone Public Radio and Friends cash and cash equivalents at June 30, 2015 and 2014, were $1,420,562 and $1,376,334, respectively, representing an increase of $44,228 from June 30, 2014, and an increase of $176,221 from June 30, 2013.

Capital outlays for each of the years ended June 30, 2015 and 2014, were $-0-.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Yellowstone Public Radio's and Friends' basic financial statements, which are comprised of the Statement of Net Position; the Statement of Revenues, Expenses and Change in Net Position; the Statement of Cash Flows, and the Notes to the Financial Statements. The financial statements are designed to provide the readers with a broad overview of Yellowstone Public Radio and Friends finances in a manner similar to a private-sector business.

The Statement of Net Position is presented in a classified format, differentiating between current and noncurrent assets, and categorizing net position.

Condensed Statement of Net Position

	2015	2014
Assets and deferred outflows		
Current assets	$ 1,391,385	$ 1,337,913
Capital assets	33,303	45,042
Other assets	1,364,309	1,376,987
Deferred outflow of resources	38,907	-
Total assets and deferred outflows	$ 2,827,904	$ 2,759,942
Liabilities and deferred inflows		
Current liabilities	$ 243,897	$ 226,289
Long-term liabilities	687,074	266,133
Deferred inflow of resources	110,740	-
Total liabilities and deferred inflows	1,041,711	492,422
Net position		
Invested in capital assets, net of related debt	33,302	45,041
Unrestricted	383,142	867,507
Restricted - expendable	1,369,749	1,354,972
Total net position	1,786,193	2,267,520
Total liabilities, deferred inflows and net position	$ 2,827,904	$ 2,759,942

Current assets include cash and cash equivalents, prepaid expense for programming costs, and accounts receivable related to pledges. Current assets increased by $53,472 primarily due to an increase in cash on deposit at fiscal year-end.

Capital assets, net of related debt, decreased by $11,739 from 2014 to 2015, which resulted from depreciation expense for fiscal year 2015.

Other assets include restricted cash, endowment investments, and other investments.

Current liabilities include accounts payable, unearned revenue, and the current portion of compensated absences.

Long-term liabilities include the amount of compensated absences liability estimated to be payable after a one-year period as well as the Station's portion of the OPEB liability, pension liability, and annuity obligations. Long-term liabilities increased by $420,941 primarily due to the recording of the pension liability required by GASB Standard 68 implemented in FY15 (See Note 5).

Amounts invested in capital assets, net of related debt, consist of the historical acquisition value of capital assets, reduced by both accumulated depreciation expense charged against assets and debt balances related to capital assets. This balance increases as assets are acquired and debt is repaid, and decreases as assets are depreciated and debt is incurred. Please refer to the notes to the accompanying financial statements for more detailed information on capital assets and long-term debt.

Unrestricted net position may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties.

Restricted, expendable net position are funds that may only be expended in accordance with restrictions imposed by an external party.

The Statement of Revenues, Expenses, and Change in Net Position presents the support and revenue earned and expenses incurred on a full accrual basis and classifies activities as either "operating" or "non-operating." This distinction results in operating deficits for those stations that depend on State appropriations and gifts, which are classified as non-operating revenue.

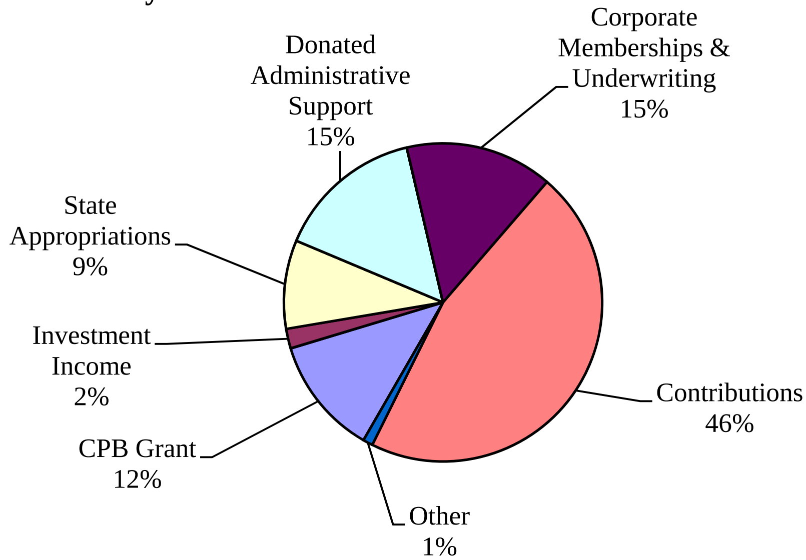
Condensed Statement of Revenues, Expenses, and Change in Net Position

	2015	2014
Operating revenues	$ 505,266	$ 522,093
Operating expenses	1,554,028	1,574,944
Operating loss	(1,048,762)	(1,052,851)
Non-operating revenues	1,086,714	1,202,257
Change in net position	$ 37,952	$ 149,406

Operating revenues consist primarily of donated administrative support from the University and corporate memberships and underwriting. The decrease in operating revenue of $16,827 was primarily due to a decrease in donated administrative support for the year.

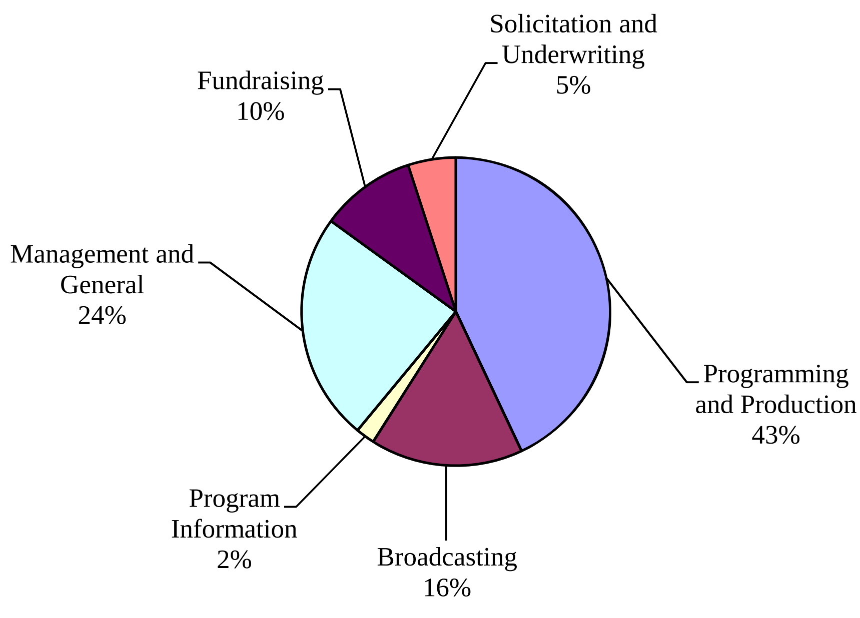
Non-operating revenues consist primarily of CPB grant funds, contributions, investment income, and state appropriations. The decrease of $115,543 is primarily due to decrease in investment revenue.

Revenue by Source



Operating expenses are presented by CPB categories of program and support. Programming expenses include programming and production, broadcasting, and program information. Support expenses include fundraising, management and general, and underwriting.

Expenses by Program



The Statement of Cash Flows presents information related to cash inflows and outflows, categorized by operating, investing, and financing activities.

Condensed Statement of Cash Flows

	2015	2014
Cash flows from:		
Operating activities	$ (1,038,189)	$ (849,291)
Noncapital financing activities	1,048,206	990,713
Investing activities	34,211	34,799
Net increase in cash and cash equivalents	44,228	176,221
Cash and cash equivalents, beginning of year	1,376,334	1,200,113
Cash and cash equivalents, end of year	$ 1,420,562	$ 1,376,334

Operating activities used $1,038,189 and $849,291 in cash, resulting primarily from the operating loss of $1,048,762 and $1,052,851 for June 30, 2015 and 2014, respectively.

Financing activities provided $1,048,206 and $990,713 in cash for the years ended June 30, 2015 and 2014, respectively, resulting primarily from contributions.

Investing activities provided $34,211 and $34,799 in cash for the years ended June 30, 2015 and 2014, respectively.

Economic Outlook

KEMC/YPR anticipates fund raising and underwriting revenues will remain relatively the same as FY2015 during the 2016 fiscal year. We are conducting searches and anticipate filling the Development Manager and Business Manager positions before mid-year, and there will be a period of adjustment while the new staff members settle into their jobs. However, current fund raising efforts are keeping pace with previous years, and we do not anticipate a significant reduction in either fund raising or underwriting revenues. Additionally, KEMC/YPR does not anticipate a significant increase in expenditures for FY2016.

FINANCIAL STATEMENTS

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
STATEMENTS OF NET POSITION
June 30, 2015
(with comparative totals as of June 30, 2014)

	2015			2014
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
ASSETS AND DEFERRED OUTFLOW				
CURRENT ASSETS				
Cash and cash equivalents	$ 530,377	$ 778,332	$ 1,308,709	$ 1,261,095
Accounts receivable	36,141	-	36,141	28,064
Pledges receivable	-	43,386	43,386	43,136
Prepaid expenses	3,149	-	3,149	5,618
Total current assets	569,667	821,718	1,391,385	1,337,913
CAPITAL ASSETS				
Studio and broadcast equipment	159,202	-	159,202	159,202
Satellite	13,349	-	13,349	13,349
Transmission, antenna, tower	909,317	-	909,317	909,317
Furniture and fixtures	16,472	-	16,472	16,472
Accumulated depreciation	(1,065,037)	-	(1,065,037)	(1,053,298)
Total capital assets	33,303	-	33,303	45,042
OTHER ASSETS				
Restricted cash equivalents	25,576	86,277	111,853	115,239
Restricted investments	-	1,168,386	1,168,386	1,181,200
Cash surrender value - life insurance	-	84,070	84,070	80,548
Total other assets	25,576	1,338,733	1,364,309	1,376,987
DEFERRED OUTFLOW OF RESOURCES				
Pension adjustments	38,907	-	38,907	-
Total deferred outflow of resources	38,907	-	38,907	-
Total assets and deferred outflow	$ 667,453	$ 2,160,451	$ 2,827,904	$ 2,759,942

The Notes to Financial Statements are an integral part of these statements.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
STATEMENTS OF NET POSITION (CONTINUED)
June 30, 2015
(with comparative totals as of June 30, 2014)

	2015			2014
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
LIABILITIES, DEFERRED INFLOW, AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 6,678	$ -	$ 6,678	$ 13,975
Unearned revenue	176,219	-	176,219	156,152
Current portion, compensated absences	61,000	-	61,000	56,162
Total current liabilities	243,897	-	243,897	226,289
LONG-TERM LIABILITIES				
Compensated absences, net of current portion	57,315	-	57,315	79,194
Annuities obligation	-	15,722	15,722	17,440
Net OPEB obligation	181,693	-	181,693	169,499
Pension liability	432,344	-	432,344	-
Total long-term liabilities	671,352	15,722	687,074	266,133
Total liabilities	915,249	15,722	930,971	492,422
DEFERRED INFLOW OF RESOURCES				
Pension adjustments	110,740	-	110,740	-
Total deferred inflow of resources	110,740	-	110,740	-
NET POSITION				
Net investment in capital assets	33,302	-	33,302	45,041
Unrestricted	(391,838)	774,980	383,142	867,507
Restricted, expendable	-	1,369,749	1,369,749	1,354,972
Total net position	(358,536)	2,144,729	1,786,193	2,267,520
Total liabilities, deferred inflows, and net position	$ 667,453	$ 2,160,451	$ 2,827,904	$ 2,759,942

The Notes to Financial Statements are an integral part of these statements.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
Year Ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	2015			2014
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
OPERATING REVENUES				
CPB Stabilization Grant	$ 709	$ -	$ 709	$ 3,517
Donated facilities and direct and indirect administrative support from Montana State University - Billings	239,189	-	239,189	255,970
Corporate memberships and underwriting	244,682	-	244,682	241,099
Other operating revenue	20,686	-	20,686	21,507
Total operating revenues	505,266	-	505,266	522,093
OPERATING EXPENSES				
Program services:				
Programming and production	667,188	-	667,188	626,336
Broadcasting	247,826	-	247,826	272,105
Program information	30,424	-	30,424	47,123
Total program services	945,438	-	945,438	945,564
Supporting services:				
Management and general	365,518	-	365,518	418,091
Fundraising	135,146	26,829	161,975	130,384
Solicitation and underwriting	81,097	-	81,097	80,905
Total supporting services	581,761	26,829	608,590	629,380
Total operating expenses	1,527,199	26,829	1,554,028	1,574,944
Operating loss	(1,021,933)	(26,829)	(1,048,762)	(1,052,851)

The Notes to Financial Statements are an integral part of these statements.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
(CONTINUED)
Year Ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	2015			2014
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
NON-OPERATING REVENUES (EXPENSES)				
Community Service Grant from CPB	183,955	-	183,955	128,660
Contributions - other	19,995	-	19,995	30,432
General appropriation from the University System	136,176	-	136,176	144,540
Investment gain	-	30,371	30,371	178,738
Contributions - Friends	3,130	701,466	704,596	719,887
Pension revenue	11,621	-	11,621	-
Receipt from affiliates	850,000	-	850,000	700,000
Payments to affiliates	-	(850,000)	(850,000)	(700,000)
Net non-operating revenues	1,204,877	(118,163)	1,086,714	1,202,257
Change in net position	182,944	(144,992)	37,952	149,406
Net position, beginning of year, as previously reported	(22,201)	2,289,721	2,267,520	2,118,114
Prior period adjustment	(519,279)	-	(519,279)	-
Net position, beginning of year, restated	(541,480)	2,289,721	1,748,241	2,118,114
Net position, end of year	$ (358,536)	$ 2,144,729	$ 1,786,193	$ 2,267,520

The Notes to Financial Statements are an integral part of these statements.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
STATEMENTS OF CASH FLOWS
Year Ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	2015			2014
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from corporate memberships	$ 244,682	$ -	$ 244,682	$ 241,099
Cash received from other operating sources	21,395	-	21,395	25,024
Cash received from operating activities	266,077	-	266,077	266,123
Cash paid for operations	697,415	26,829	724,244	557,609
Cash paid for compensation and benefits	580,022	-	580,022	557,805
Cash paid for operating activities	1,277,437	26,829	1,304,266	1,115,414
Net cash flows from operating activities	(1,011,360)	(26,829)	(1,038,189)	(849,291)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Contributions	23,125	706,668	729,793	731,025
Cash received from CPB grant	183,955	-	183,955	128,660
Cash received from Friends	850,000	-	850,000	700,000
Cash paid to the Station from Friends	-	(850,000)	(850,000)	(700,000)
Cash received from appropriation	136,176	-	136,176	144,540
Annuity obligation	-	(1,718)	(1,718)	(13,512)
Net cash flows from noncapital and related financing activities	1,193,256	(145,050)	1,048,206	990,713

The Notes to Financial Statements are an integral part of these statements.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
STATEMENTS OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	2015			2014
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	(570,639)	(570,639)	(688,174)
Proceeds from sale of investments	-	581,204	581,204	701,288
Interest income	-	23,646	23,646	21,685
Net cash flows from investing activities	-	34,211	34,211	34,799
Net change in cash and cash equivalents	181,896	(137,668)	44,228	176,221
Cash and cash equivalents, beginning of year	374,057	1,002,277	1,376,334	1,200,113
Cash and cash equivalents, end of year	$ 555,953	$ 864,609	$ 1,420,562	$ 1,376,334
AS PRESENTED IN THE ACCOMPANYING BALANCE SHEETS				
Cash and cash equivalents, unrestricted	$ 530,377	$ 778,332	$ 1,308,709	$ 1,261,095
Restricted cash equivalents	25,576	86,277	111,853	115,239
	$ 555,953	$ 864,609	$ 1,420,562	$ 1,376,334
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating loss	$ (1,021,933)	$ (26,829)	$ (1,048,762)	$ (1,052,851)
Adjustments to reconcile operating loss to net cash flows from operating activities:				
Depreciation and amortization	11,739	-	11,739	26,798
Change in OPEB liability	12,194	-	12,194	19,644
Change in Pension liability	(3,480)	-	(3,480)	-
Change in assets:				
Accounts receivable	(8,077)	-	(8,077)	9,938
Prepaid expenses	2,469	-	2,469	(603)
Change in liabilities:				
Accounts payable and accrued expenses	(7,297)	-	(7,297)	7,792
Unearned liabilities	20,067	-	20,067	126,350
Compensated absences	(17,042)	-	(17,042)	13,641
Net cash flows from operating activities	$ (1,011,360)	$ (26,829)	$ (1,038,189)	$ (849,291)

The Notes to Financial Statements are an integral part of these statements.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Organization
Yellowstone Public Radio (the Station) is a public radio station (KEMC-FM) funded in part by a grant through the Corporation for Public Broadcasting. The Station is operated by Montana State University-Billings (MSU-Billings), a separate operational unit of Montana State University (MSU), which is a component unit of the State of Montana, and is included in the financial statements of the State of Montana as part of the Higher Education component unit. Financial activities of MSU-Billings, including the Station, are included in the financial statements of MSU.

The Station services Montana and Wyoming by acquiring, producing, and delivering high quality radio programming, production, and community outreach services. These non-commercial services provide educational, informational, and entertaining programming produced nationally and locally and extend the impact of radio through community outreach efforts. The Station relies significantly on grants, university support, and public contributions.

The component unit described below is included in the Station's reporting entity because of the significance of the operational and financial relationship with the Station.

Component Unit
The Friends of Public Radio, Inc. is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and is classified as other than a private foundation. Friends of Public Radio raises funds to provide financial and other support to KEMC-FM, a public radio station licensed by MSU-Billings. The support provided includes fund raising, positive community relations, a volunteer system, and related administrative services.

The administration of Friends of Public Radio is provided by a Board of Directors consisting of 30 members, who serve three-year annual terms. Special memberships on the Board of Directors include (1) the Chancellor of MSU-Billings, who serves as an ex officio without voting powers, and (2) a representative of KEMC-FM chosen by the Board of Directors upon recommendation of the Chancellor of MSU-Billings, selected each year to serve without voting powers.

Financial Statement Presentation
The Station's financial statements are presented in accordance with requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* Under GASB Statements No. 34 and No. 35, the Station is required to present a statement of net position classified between current and noncurrent assets and liabilities, a statement of revenues, expenses, and change in net position—with separate presentation for operating and non-operating revenues and expenses—and a statement of cash flows using the direct method.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting
For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. Accordingly, the Station's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Cash and Cash Equivalents
For purposes of the statement of cash flows, short-term investments (including restricted cash) are included in cash equivalents. Short-term investments are recorded at cost, which approximates market value.

Accounts Receivable
Management has determined accounts receivable to be fully collectible, and thus, no provision has been made for an allowance for doubtful accounts.

Pledges Receivable
Pledges receivable are stated at net realizable value and are due within one year or less. Management has determined pledges receivable to be fully collectible, and thus, no provision has been made for an allowance for doubtful accounts.

Capital Assets
Capital assets with a cost, or in the case of donated property—estimated fair value at date of receipt—of $5,000 or more and an estimated useful life of more than one year are capitalized, consistent with MSU-Billings' policy.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Studio and broadcast equipment	13 to 31
Satellite	13
Transmission, antenna, tower	5 to 20
Furniture and fixtures	5

Investments
The Station accounts for its investments at fair value in accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investment income is recorded on the accrual basis. All investment income, including changes in unrealized gain (loss) on the carrying value of investments, is reported as a component of investment income.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Employees' compensated absences are accrued when earned. The obligation and expenditure incurred during the year are recorded as accrued compensated absences in the statement of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses, and change in net position. As of December 31 of each year, employees can accumulate vacation leave up to twice the number of leave days earned annually and sick leave can be accumulated without limitation. Upon termination, the employee is paid the accumulated vacation leave and 25% of the accumulated sick leave. Amounts recorded as compensated absences payable include employer benefits.

Net Position

The Station's net position is classified as follows:

Invested in capital assets, net of related debt: This represents the Station's total investment in capital assets, net of depreciation, and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted – expendable: Expendable restricted includes resources in which the Station is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted – nonexpendable: Nonexpendable restricted consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted: Unrestricted represents resources derived from operating grants, state appropriations, corporate memberships and underwriting, and unrestricted contributions. These resources are used for transactions relating to the general operations of the Station and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Station's policy is to apply the expense on a case by case basis.

Classification of Revenues

The Station has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) operating grants, (2) support from MSU-Billings, and (3) corporate memberships and underwriting.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues (Continued)
Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as community service grants from CPB, gifts and contributions, state appropriations, and other revenue sources that are defined as non-operating revenues by GASB No. 9*, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities that use Proprietary Fund Accounting,* and GASB No. 34.

Community Service Grants
The Corporation for Public Broadcasting (CPB) is a private, non-profit, grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby, to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of the recipients. The Station uses these funds 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.

The grants are reported on the accompanying financial statements as unrestricted non-operating funds; however, certain guidelines must be satisfied in connection with application for and use of the grants to maintain eligibility and compliance requirements.

These guidelines pertain to the use of grant funds, record keeping, audits, and financial reporting and licensee status with the Federal Communications Commission.

Donated Facilities, Materials, and Services
Donated facilities from MSU-Billings consist of office and studio space together with related occupancy costs and are recorded as revenue and expense at estimated fair rental values in the statement of revenues, expenses, and change in net position. Administrative support from MSU-Billings consists of indirect costs incurred by the University on behalf of the Station, determined by establishing cost pools, which are grouped into functional categories such as institutional support and physical plant support, which is then allocated, based on the Station's direct costs in accordance with guidelines established by the CPB. Donated materials are recorded at their fair value at the time of contribution. Donated personal services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of revenues, expenses, and change in net position. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax Status

As a state institution of higher education, the income of the Station is exempt from federal and state income taxes; 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 Station is no longer subject to examinations by federal tax authorities for years before 2012.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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 revenues and expenses during the reported period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through January 11, 2016, the date which the financial statements were available for issue.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash balances are maintained (1) in pooled funds with other University funds and (2) at a local financial institution. FDIC coverage is limited to $250,000 per account holder. From time to time, certain bank accounts that are subject to limited FDIC coverage exceed their insured limits. At June 30, 2015, bank accounts exceeded insured limits by $481,550.

Because of the pooled cash concept, it is not possible to allocate the Station's share of the pooled cash balances into the various risk categories.

NOTE 3. CAPITAL ASSETS

Activity for capital assets for the year ended June 30, 2015, is summarized below:

	June 30, 2014	Additions	Retirements	June 30, 2015
Studio and broadcast equipment	$ 159,202	$ -	$ -	$ 159,202
Satellite	13,349	-	-	13,349
Transmission, antenna, tower	909,317	-	-	909,317
Furniture and fixtures	16,472	-	-	16,472
Accumulated depreciation	(1,053,298)	(11,739)	-	(1,065,037)
	$ 45,042	$ (11,739)	$ -	$ 33,303

Depreciation expense was charged to functions as follows:

Broadcasting	$ 10,677
Management and general	1,062
	$ 11,739

NOTE 4. INVESTMENTS

Investments consist of securities within the Fund 2000 restricted term endowment and the Friends of Public Radio agency account. The Station records the investments at fair value, with changes in value shown as a component of current-year, non-operating income. A comparison of cost to fair value, with the cumulative unrealized gain, follows:

	Historical Cost	Fair Value	Cumulative Unrealized Gain
Investments	$ 1,098,018	$ 1,168,386	$ 70,368

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Station has an investment policy that limits investment maturities for any single security to 20 years or less. Information about the exposure of the Station's investments to this risk at June 30, 2015, using the segmented time distribution model is as follows:

NOTE 4. INVESTMENTS (CONTINUED)

		Investment Maturities			
Investment	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years
U.S. Treasuries	$ 97,225	$ -	$ 77,815	$ -	$ 19,410
U.S. Government Agencies	39,123	16,310	15,810	7,003	-
Corporate Bonds	131,651	3,045	36,233	64,138	28,235
Mutual Funds:					
Domestic	91,130	91,130	-	-	-
Foreign	18,841	18,841	-	-	-
Stocks:					
Domestic	553,202	553,202	-	-	-
Foreign	173,816	173,816	-	-	-
Fixed Income	61,440	61,440	-	-	-
Other Assets	1,958	1,958	-	-	-
Total	$ 1,168,386	$ 919,742	$ 129,858	$ 71,141	$ 47,645

Credit risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. Presented below are the ratings for each investment type at June 30, 2015:

	Fair Value	AAA to Aa3	A1 to A3	Baa1 - Baa3	Unrated
U.S. Treasuries	$ 97,225	$ 97,225	$ -	$ -	$ -
U.S. Government Agencies	39,123	39,123	-	-	-
Corporate Bonds	131,651	10,071	47,803	73,777	-
Mutual Funds:					
Domestic	91,130	-	-	-	91,130
Foreign	18,841	-	-	-	18,841
Stocks:					
Domestic	553,202	-	-	-	553,202
Foreign	173,816	-	-	-	173,816
Fixed Income	61,440	-	-	-	61,440
Other Assets	1,958	-	-	-	1,958
Total	$ 1,168,386	$ 146,419	$ 47,803	$ 73,777	$ 900,387

A paid-up life insurance policy was donated in a prior year in which Friends of Public Radio is the beneficiary. The cash value of the policy at June 30, 2015, amounted to $84,070 with a death benefit of $133,775.

NOTE 4. INVESTMENTS (CONTINUED)

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. Current year investment income consists of the following:

Interest and dividends	$ 25,109
Unrealized loss	(66,633)
Realized gain	71,895
	$ 30,371

NOTE 5. PENSION PLANS

The Station's employees are covered under the Montana Public Employees' Retirement System (PERS) or the Montana Teachers' Retirement System (TRS). PERS includes options as either a defined benefit or a defined contribution plan, and TRS is a defined benefit retirement plan. PERS and TRS are multiple-employer, cost sharing plans.

The following information, related to these pension plans, is related to activity of KEMC-FM. For information regarding pension plans related to KEMC-FM, the information can be found in Montana State University's annual financial report.

The amounts contributed to the Plans during the year ended June 30, 2015, were equal to the required contribution each year. The amounts contributed by KEMC-FM and its employees were:

		PERS	TRS	Percentage of required contributions
Fiscal year ended:				
	June 30, 2015	$ 31,952	$ 3,369	100.00%
	June 30, 2014	29,420	3,284	100.00%
	June 30, 2013	25,092	3,187	100.00%

NOTE 5. PENSION PLANS

Public Employees' Retirement System (PERS)

PERS - Plan Description

The PERS-Defined Benefit Retirement Plan (DBRP), 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 Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-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-DBRP.

The PERS-DBRP 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. Member rights are vested after five years of service.

PERS - Summary of Benefits

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

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.

NOTE 5. PENSION PLANS (CONTINUED)

PERS - Summary of Benefits (Continued)

Eligibility for benefit

Service retirement:

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 services; Age 70, regardless of membership service.

Early retirement, actuarially reduced:

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.

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.

*At this time, as a result of permanent injunction issued in the AMRPE vs State litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013, is pending.

NOTE 5. PENSION PLANS (CONTINUED)

PERS - Overview of Contributions

1. 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.
2. Member contributions to the system:
   a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
   b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
   a. State and University System employers are required to contribute 8.27% of members' compensation.
   b. Local government entities are required to contribution 8.17% of members' compensation.
   c. School district employers contributed 7.90% of members' compensation.
   d. Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.
   e. Effective July 1, 2013, the additional employer contributions for DCRP and MUS-RP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability.
   f. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non Employer Contributions
   a. Special Funding
      i. The State contributes 0.1% of members' compensation on behalf of local government entities.
      ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
   b. Not Special Funding
      i. The State contributes from the Coal Tax Severance fund

NOTE 5. PENSION PLANS (CONTINUED)

PERS - Stand-Alone Statements
The PERS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena MT 59620-0131, 406-444-3154.

CAFR information including the stand-alone financial statements can be found at http://mpera.mt.gov/annualReports.shtml.

The latest actuarial valuation and experience study can be found at
http://mpera.mt.gov/actuarialValuations.asp.

PERS - Actuarial Assumptions
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* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Investment Return 7.75%

NOTE 5. PENSION PLANS (CONTINUED)

PERS - Actuarial Assumptions (Continued)

- Postretirement Benefit Increases
    - 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.

  *At this time as a result of permanent injunction issued in the AMRPE vs State litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.

- 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.
- 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.

PERS - 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 Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed 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.

NOTE 5. PENSION PLANS (CONTINUED)

PERS - Target Allocations

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%

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 are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the above table.

PERS - Sensitivity Analysis

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
The Station's proportion	$ 665,464	$ 418,291	$ 209,832

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability 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.

NOTE 5. PENSION PLANS (CONTINUED)

PERS - Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

PERS - Net Pension Liability (NPL)

In accordance with Statement 68, PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the employers. Due to the existence of this special funding situation, local governments and school districts are required to report the portion of the State of Montana's proportionate share of the collective net pension liability that is associated with the employer. This arrangement does not apply to the Station, so a State share of pension liability is not reported.

The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the coal severance tax fund. All employers are required to report the portion of coal severance tax fund attributable to the employer.

	Net Pension Liability as of June 30, 2013	Net Pension Liability as of June 30, 2014	Percent of Collective NPL
The Station's proportionate share	$ 538,281	$ 418,291	0.000000%

At June 30, 2015, the Station recorded a liability of $418,291 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 University's proportion of the net pension liability was based on the University'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.

NOTE 5. PENSION PLANS (CONTINUED)

PERS – Pension Expense

At June 30, 2015, the Station recognized a pension expense of $31,703 for its proportionate share of the PERS' pension expense. The Station also recognized grant revenue of $11,305 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

	Pension Expense as of June 30, 2014
Station's proportionate share	$ 20,398
State of Montana proportionate share associated with employer	11,305
Total	$ 31,703

PERS - Recognition of Beginning Deferred Outflow - GASB 71

At June 30, 2015, the Station recognized a beginning deferred outflow of resources for the employers 2014 contributions of $31,820.

PERS - Deferred Inflows and Outflows

At June 30, 2015, the Station reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on pension plan investments	$ -	$ 108,563
*Contributions paid to PERS subsequent to the measurement date - FY2015 contributions	33,291	-
Total	$ 33,291	$ 108,563

*Amounts reported as deferred outflows of resources related to pensions resulting from the Station'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:

NOTE 5. PENSION PLANS (CONTINUED)

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amounts recognized in pension expense as an increase or (decrease) to pension expense
2016	$ -	$ 27,262	$ (27,262)
2017	-	27,262	(27,262)
2018	-	27,262	(27,262)
2019	-	27,262	(27,262)
Thereafter	-	-	-

Teachers' Retirement System (TRS)

TRS - Plan Description
TRS is a mandatory-participation, multiple-employer cost-sharing, defined-benefit, public pension plan that provides retirement services to individuals employed as teachers, administrators, and in other professional and skilled positions employed in public education in Montana.

The TRS Board is the governing body of the System and the TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the TRS web site at ***trs.mt.gov***.

TRS - Summary of Benefits
Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

NOTE 5. PENSION PLANS (CONTINUED)

TRS - Summary of Benefits (Continued)

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)
- Tier Two has a one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also now currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation - 1.85% x AFC x years of creditable service - for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than 1.6667 x AFC x years of creditable service)

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA calculated prior to July 1, 2013, was 1.5% of the benefit payable as of January 1st. Effective July 1, 2013, the GABA to be calculated for Tier One and Tier Two members each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation. The legislative enactment that allows for reduction of the GABA for Tier One members is currently being litigated. A temporary restraining order requires continued calculation of the GABA at the full 1.5% rate for Tier One members pending resolution of the litigation.

TRS - Overview of Contributions

The System receives a portion of the total required statutory contributions directly from the State for all employers. The employers are considered to be in a special funding situation as defined by GASB 68 and the State is treated as a non-employer contributing entity in TRS. The System receives 2.49% of reportable compensation from the State's general fund for School Districts and other employers. The System also receives 0.11% of reportable compensation from the State's general fund for State and University employers. Finally, the State is also required to contribute $25 million in perpetuity payable July 1st of each year.

MCA 19-20-605 requires each employer to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position. Pursuant to MCA 19-20-609, this amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of re-employed retiree compensation.

NOTE 5. PENSION PLANS (CONTINUED)

TRS - Net Pension Liability (NPL)

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015, and includes requirements to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows and deferred outflows of resources associated with pensions. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective net pension liability that is associated with the employer.

	Net Pension Liability as of June 30, 2013	Net Pension Liability as of June 30, 2014	Percent of Collective NPL
The Station's proportionate share	$ 16,246	$ 14,053	0.0000%

At June 30, 2015, the Station recorded a liability of $14,053 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 Station's proportion of the net pension liability was based on the University's contributions received by TRS during the measurement period July 1, 2013, through June 30, 2014, relative to the total University contributions received from all of TRS' participating employers.

Changes in actuarial assumptions and methods: The following changes in assumptions or other inputs that affected the measurement of the total pension liability have been made since the previous measurement date.

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expensed to net of investment expenses only.

NOTE 5. PENSION PLANS (CONTINUED)

TRS - Net Pension Liability (Continued)

Changes in actuarial assumptions and methods (Continued):

- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
  - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members was updated to the following:
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

TRS - Pension Expense

	Pension Expense as of June 30, 2014
The Station's proportionate share	$ 1,478

At June 30, 2015, the Station recognized a pension expense of $1,478 for its proportionate share of the TRS' pension expense. The Station also recognized grant revenue of $316 for the support provided by the State of Montana for its proportionate share of the pension expense.

TRS - Recognition of Beginning Deferred Outflow – GASB 71

At June 30, 2015, the Station recognized a beginning deferred outflow of resources for the Station's FY 2014 contributions of $3,738.

NOTE 5. PENSION PLANS (CONTINUED)

TRS - Deferred Inflows and Outflows

At June 30, 2015, the Station reported its proportionate share of TRS' deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 139	$ -
Changes in actuarial assumptions	319	-
Differences between projected and actual investment earnings	-	2,177
Difference between acutal and expected contributions	1,789	-
*Contributions paid to TRS subsequent to the measurement date - FY2015 contributions	3,369	-
Total	$ 5,616	$ 2,177

*Amounts reported as deferred outflows of resources related to pensions resulting from the Station'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:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in pension expense as an increase or (decrease) to pension expense
2016	$ 1,872	$ 544	$ 1,328
2017	1,872	544	1,328
2018	1,872	544	1,328
2019	-	544	(544)
Thereafter	-	-	-

TRS - Stand-Alone Statements

TRS' stand-alone financial statements, actuarial valuations, and experience studies can be found online at **https://trs.mt.gov/TrsInfo/NewsAnnualReports**.

NOTE 5. PENSION PLANS (CONTINUED)

TRS - Actuarial Assumptions

The total pension liability as of June 30, 2014, is based on the results of an actuarial valuation date of July 1, 2014. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2014, valuation were based on the results of the last actuarial experience study, dated May 1, 2014. Among those assumptions were the following:

- Total Wage Increases* 8.51%
- Investment Return 7.75%
- Price Inflation 3.25%
- Postretirement Benefit Increases 1.50%
  (starting three years after retirement)
- Mortality among contributing members, service retired members, and beneficiaries
  - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

*Total Wage Increases include 4.00% general wage increase assumption and 4.51% merit and longevity increases.

TRS - 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 Code Annotated. In addition to the contributions the State general fund will contribute $25 million annually to the System payable July 1st of each year. 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 2116. 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.

NOTE 5. PENSION PLANS (CONTINUED)

TRS - Discount Rate (Continued)

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis
Broad U.S. Equity	36.00%	4.80%
Broad International Equity	18.00%	6.05%
Private Equity	12.00%	8.50%
Intermediate Bonds	23.40%	1.50%
Core Real Estate	4.00%	4.50%
High Yield Bonds	2.60%	3.25%
Non-Core Real Estate	4.00%	7.50%
	100.00%	

TRS - Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared every four years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated May 1, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were 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 capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans, which covers a longer timeframe. 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 System's target asset allocation as of June 30, 2014, is summarized in the above table.

NOTE 5. PENSION PLANS (CONTINUED)

TRS - Sensitivity Analysis

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
The Station's proportion of net pension liability	$ 19,527	$ 14,053	$ 9,432

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability 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.

TRS - Summary of Significant Accounting Policies

The System prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the TRS and additions to/deductions from TRS' fiduciary net position have been determined on the same accrual basis as they are reported by TRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. TRS adheres to all applicable GASB statements.

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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.

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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 Optional Retirement Plan (ORP) (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-$671 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-$289 for an individual retiree. Coverage is also extended to dependents and surviving dependents of the employee. Retirees who select a non-MUS Medicare Advantage Program are not considered in the above rates.

Financial and plan information

The MUS Group Benefits Plan does not issue a stand-alone financial report, but is subject to audit as part of the State of Montana's basic financial statements, included in the Comprehensive Annual Financial Report (CAFR). A copy of the most recent CAFR can be obtained online at http://afsd.mt.gov/CAFR/CAFR.asp or by contacting the Montana Department of Administration, PO Box 200102, Helena, MT 59620-0102.

A schedule of funding progress contained in the RSI immediately following the notes to the financial statements presents multi-year trend information.

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.

The most recent actuarial determination was based on plan information as of July 1, 2013. At that time, the number of active University participants in the health insurance plan was 3,513. The total number of inactive (retiree and dependent) participants was 979. During the years ended June 30, 2015, 2014 and 2013, the University contributed $38,746,697, $35,014,278, and $31,509,597, respectively, which was calculated based on a contribution rate per actively employed participants, whose annual covered payroll totaled $201,051,981 as of the last actuarial valuation. Included within this amount, the Station is deemed to have contributed $5,554, $3,711, and $1,764, for retirees or their dependents during 2015, 2014, and 2013, respectively.

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

As of the latest actuarial evaluation, the accrued liability for retiree health benefits was $49,869,358, all of which was unfunded. The percentage of annual OPEB cost contributed to the plan was 31%, 16%, and 7% for 2015, 2014, and 2013 respectively. The funded status of the plan as of June 30 was 0% for each of the previous three years.

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

Year ended June 30,	2015	2014	Restated 2013
Annual required contribution	$ 16,218	$ 21,515	$ 24,026
Net interest and amortization on OPEB obligation	1,530	1,840	1,373
Annual OPEB cost	17,748	23,355	25,399
Contributions made	(5,554)	(3,711)	(1,764)
Increase to net OPEB obligation	12,194	19,644	23,635
Net OPEB obligation - beginning of year	169,499	149,855	126,220
Net OPEB obligation - end of year	$ 181,693	$ 169,499	$ 149,855

Actuarial methods and assumptions

The projected unit credit funding method was used to determine the cost of the MUS System 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 marital status at retirement, mortality rates, and retirement age:

Method	30-year, level percent of pay amortization on an open basis
Interest/discount rate	4.25%
Projected payroll increases	2.50%
Healthcare cost trend rate	-8.00% (medical and prescription) for the initial year; -Rates decreasing from 7.5% to 5.0% for years 2014-2019 -4.50% (medical and prescription) in 2020 and beyond
Participation	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

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial methods and assumptions (Continued)

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. Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and on the pattern of sharing of costs between the employer and plan members to that point. Calculations reflect a long-term perspective, and as such, may include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

NOTE 7. DEFERRED CHARITABLE ANNUITIES

The Station is subject to certain provisions of the Montana Code Annotated, which specify that a charitable organization may only issue a “qualified charitable gift annuity” if it meets the following statutory requirements on the date of the annuity agreement: (1) has a minimum of $300,000 net worth or has a minimum of $100,000 in unrestricted cash, cash equivalents, or publicly traded securities, exclusive of the assets funding the annuity agreement; (2) has been in continuous operation for at least three years or is a successor or affiliate of a charitable organization that has been in continuous operation for at least three years; (3) maintains a separate annuity fund with at least one-half the value of the initial amount transferred for outstanding annuities. If the charitable organization cannot meet the requirements, the issuance of qualified charitable gift annuity by a charitable organization must be commercially insured by a licensed insurance company that is qualified to do business in Montana. For the year ended June 30, 2015, the Station met the requirements to issue qualified charitable gift annuities.

Friends of Public Radio, Inc. have received deferred charitable annuity gifts with a total principal value of $68,998. An annuity obligation liability has been recorded in the amount of $15,722 at June 30, 2015, representing the donors’ investments in the contract at annuity rates ranging from 5.0% to 13.7% and annuity payment starting dates ranging from 0.5 to 31.5 years.

NOTE 8. LONG-TERM LIABILITIES

Activity for long-term liabilities for the year ended June 30, 2015, is summarized below:

	June 30, 2014	Additions	Reductions	June 30, 2015
Compensated absences	$ 135,356	$ 52,746	$ (69,787)	$ 118,315
Less: current portion	(56,162)	(38,645)	33,807	(61,000)
	$ 79,194	$ 14,101	$ (35,980)	$ 57,315
Annuities obligation	$ 17,440	$ 2,537	$ (4,255)	$ 15,722
OPEB obligation	$ 169,499	$ 12,194	$ -	$ 181,693
Pension obligation	$ 435,824	$ -	$ (3,480)	$ 432,344

NOTE 9. LEASES

Transmitter Site Ground Leases

The Station maintains leases in certain real property for transmitter or translator sites. At June 30, 2015, the following leases were in effect:

	Commencement	Expiration	Monthly Lease Payment
Miles City, MT	3/1/2007	3/1/2017	$ 35
Yellowstone County, MT	6/11/2003	None	$ 450
Bozeman, MT	1/1/1991	None	$ 311
Terry, MT	3/1/1991	None	$ 60
Worland, WY	8/15/1990	None	$ 283 per quarter
Cedar Mountain, WY	7/1/1986	None	$ 125
Medicine Mountain, WY	7/1/1986	None	$ 125
Sweetgrass Hills, WY	7/1/1986	None	$ 175
Shelby, MT	12/12/1992	None	None
Forsyth, MT	7/1/1997	2/28/2015	$ 150
Broadus, MT	7/1/1996	None	None
Ashland, MT	7/1/1996	None	None
Sheridan, WY	12/1/1997	None	$ 156
Bozeman, MT	6/5/2003	6/4/2013	$ 125
Wolf Point, MT	9/16/2009	9/16/2016	$ 1 per day
Big Timber, MT	7/1/2010	5/19/2017	$ 275
Great Falls, MT	10/1/2012	9/30/2017	$ 481
Helena, MT	1/1/2012	None	$ 900 per year
Livingston, MT	12/1/2010	12/1/2017	$ 100
Buffalo, WY	4/1/2015	3/31/2018	$ 2,200 per year

Bozeman Studio

The Station leases studio space from the Bozeman Public Library in Bozeman, Montana, with an annual lease payment of $1,500 and the lease expires December 31, 2016.

NOTE 9. LEASES (CONTINUED)

Total lease expense for the Station amounted to $30,751 for the year ended June 30, 2015. Minimum lease payments for the next five years are as follows:

For the year ending June 30,		
2016	$	27,105
2017		25,027
2018		15,795
2019		12,204
2020		11,746
Thereafter		117,039
	$	208,916

NOTE 10. RELATED PARTY TRANSACTIONS AND IN-KIND CONTRIBUTIONS

During the year ended June 30, 2015, the Station received $850,000 in monetary support from Friends of Public Radio.

The following in-kind contributions were recorded in the Station's financial statements for the year ended June 30, 2015:

University indirect administrative support	$	221,891
Occupancy		17,298
Total related party in-kind contributions		239,189
Other in-kind contributions		19,995
Total	$	259,184

NOTE 11. COMMITMENTS AND CONTINGENCIES

Funding Sources

The Station operates their programs with the aid of funding primarily from the following sources:

1) CPB grants
2) Appropriations from the Montana University System
3) Contributions from Friends of Public Radio, Inc.
4) Corporate membership and underwriting

NOTE 11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Funding Sources (Continued)
A major reduction in the level of support from any of these funding sources could have a negative impact on the Station's ability to maintain its current programs.

CPB Grant
The Station must use its CSGs within two one-year grant periods. Any unexpended funds must be returned to the CPB. Although it is a possibility that the funds could not be spent within the grant period, the management of the Station deems the contingency remote.

Other
The Station faces a number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, and (c) workers' compensation. The Station, as a department of the Montana University System, participates in the risk management programs of the Montana University System.

NOTE 12. MONTANA COMMUNITY FOUNDATION

Donations were received in prior years through the Montana Community Foundation (MCF) to establish an irrevocable endowment fund on the books of the MCF, known as the "Friends of Public Radio - Fund 2000 Endowment Fund." The principal of the Fund, along with net capital appreciation, shall be kept and invested by MCF, and net income from the fund is distributable to Friends of Public Radio at least annually. The value of the fund at June 30, 2015, amounted to $88,589.

NOTE 13. TERM ENDOWMENT - FUND 2000

A term endowment, known as "Yellowstone Public Radio Fund 2000," was established to ensure future generations' access to the Station's coverage area in Montana and Wyoming. The primary mission of this fund is to provide permanent financial shelter from the Station against sudden loss of federal funding, unforeseen emergencies, and natural disasters.

The fund will be continually reinvested to provide ongoing support for Station. Earnings from the fund are unrestricted, but Board approval is necessary for withdrawal. The principal can be used, if necessary, for these special circumstances:

- To pay for the deductible of insurance costs, to repair, or replace damaged equipment/facilities in the event of a natural disaster or other emergency
- To provide emergency (supplementary) funds in the event of sudden changes in state or federal appropriations for public radio
- To expand and enhance access to public radio

NOTE 14. PRIOR PERIOD ADJUSTMENT

For the year ended June 30, 2015, the Station has implemented GASB Statement No. 68, regarding the reporting of pension liabilities, and GASB Statement No. 71, regarding reporting of pension contributions subsequent to the measurement date of June 30, 2014. Accordingly, beginning net position has been restated to reflect the previously unrecognized pension liability as follows:

Beginning net position, as originally reported	$ 2,267,520
Pension liability, June 30, 2013	(435,824)
Retirement contribution in 2014	(83,455)
Net restatement	(519,279)
Beginning net position, as restated	$ 1,748,241

As the pension expense, deferred inflows, and deferred outflows related to the net pension liability were not available for the period ending June 30, 2014, the prior year financial statements have not been restated.

REQUIRED SUPPLEMENTARY INFORMATION

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Year ended June 30, 2015

Teachers' Retirement System (TRS)

The Station's proportion of the net pension liability		0.0000%
The Station's proportionate share of the net pension liability	$	14,053
The Station's covered-employee payroll	$	26,174

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

Public Employees' Retirement System (PERS)

The Station's proportion of the net pension liability		0.0000%
The Station's proportionate share of the net pension liability	$	418,291
The Station's covered-employee payroll	$	386,360

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

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
SCHEDULES OF CONTRIBUTIONS
Year ended June 30, 2015

Teachers' Retirement System (TRS)

Contractually required contributions	$	3,369
Contributions in relation to the contractually required contributions		3,369
Contribution deficiency (excess)		-
The Station's covered-employee payroll		26,174
Contributions as a percentage of covered-employee payroll		12.8716%

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

Public Employees' Retirement System (PERS)

Contractually required contributions	$	31,952
Contributions in relation to the contractually required contributions		31,952
Contribution deficiency (excess)		-
MSU-Billings' covered-employee payroll		386,360
Contributions as a percentage of covered-employee payroll		8.2700%

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

Changes of assumptions: The following changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date:

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll growth assumption was reduced from 4.50% to 4.00%
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
    - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018
    - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 208
- Mortality among disabled members was updated to the following:
    - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
    - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	28 years
Asset valuation method	4-year smooth market
Inflation	3.25 percent
Salary increase	4.00 to 8.51 percent, including inflation for non-university members and 5.00% for University members
Investment rate of return investment expense, and including inflation	7.75 percent, net of pension plan

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST RETIREMENT BENEFITS PLAN
Year ended June 30, 2015

Schedule of Funding Progress for Other Post Retirement Benefits Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2009	$ -	$ 92,634,783	$ 92,634,783	0.00%	$ 198,691,532	46.62%
July 1, 2011	$ -	$ 55,421,239	$ 55,421,239	0.00%	$ 183,870,217	30.14%
July 1, 2013	$ -	$ 49,869,358	$ 49,869,358	0.00%	$ 201,051,981	24.80%

Other Post-Employment Benefits (OPEB) Trend Data

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. See assumptions below.

Actuarial Valuation Date	Interest Rate	Payroll Increase	Participant Percentage
July 1, 2009	4.25%	2.50%	55%
July 1, 2011	4.25%	2.50%	55%
July 1, 2013	4.25%	2.50%	55%

SUPPLEMENTARY INFORMATION

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
RECONCILIATION OF FINANCIAL STATEMENT INCOME AND EXPENSE TO THE
CORPORATION FOR PUBLIC BROADCASTING (CPB) REPORT
Year ended June 30, 2015

Total support and revenue per statement of revenues, expenses, and change in net position:

Operating revenue	$ 505,266
Non-operating revenue	1,086,714
	1,591,980
Less:	
Net investment income	(5,262)
In-kind contributions ineligible as NFFS	-
Other revenue ineligible as NFFS	(33,016)
CPB Grant deduction	(183,955)
Total non-federal financial support per the CPB Report (Schedule of Non-Federal Financial Support)	$ 1,369,747

Total expense per statement of revenues, expenses, and change in net position:

Operating expenses	$ 1,554,028
Total expenditures per the CPB Report (Schedule E, line 10)	$ 1,554,028

anderson ZURMUEHLEN

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

www.azworld.com

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • MSI GLOBAL ALLIANCE INDEPENDENT MEMBER FIRM