

KUAC TV9 FM 89.9

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

JUNE 30, 2016 AND 2015

KUAC TV9 FM 89.9

TABLE OF CONTENTS

	<u>Page</u>
Management's Discussion and Analysis	1-4
Independent Auditor's Report	5-6
Financial Statements	
Statements of Net Position	7
Statements of Revenues, Expenses, and Changes in Net Position	8
Statements of Cash Flows	9-10
Notes to the Financial Statements	11-28
Supplementary Information	
Schedules of TV and FM Revenues, Expenses and Changes in Net Position	
Year Ended June 30, 2016	29
Year Ended June 30, 2015	30
Schedules of Revenues, Expenses and Changes in Net Position - Monetary and Nonmonetary	
Year Ended June 30, 2016	31
Year Ended June 30, 2015	32
Schedule of KUAC's Proportionate Share of the Net Pension Liability - PERS-DB Plan	33
Schedule of KUAC's Contribution - PERS-DB Plan	34

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Introduction

The following discussion and analysis provides an overview of the financial position and activities of KUAC TV9 & FM89.9 (KUAC) for the years ended June 30, 2016 and June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements including the notes thereto, which follow this section.

Using the Financial Statements

The KUAC financial report includes three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements are prepared in accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) pronouncements. During 2002, KUAC implemented GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis – for Public Colleges and Universities*. This statement is applicable for KUAC since KUAC is a public telecommunications entity operated by the University of Alaska Fairbanks.

Statement of Net Position

The Statement of Net Position presents the financial position of KUAC at the end of the fiscal year and includes all assets and liabilities of KUAC. The difference between total assets and total liabilities (net position) is one indicator of the financial condition of KUAC, while the change in net position is an indicator of whether the financial condition has improved or declined during the year. KUAC's assets, deferred outflows of resources, liabilities and net position at June 30, 2016, 2015 and 2014 are summarized as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets:			
Current assets	\$2,182,789	\$2,008,824	\$1,540,686
Capital assets, net of depreciation	<u>1,123,531</u>	<u>1,337,622</u>	<u>1,618,548</u>
Total assets	<u>3,306,320</u>	<u>3,346,446</u>	<u>3,159,234</u>
Deferred outflows related to pension	<u>214,000</u>	<u>105,000</u>	<u>0</u>
Liabilities:			
Current liabilities	91,832	328,881	211,649
Noncurrent liabilities	<u>1,758,000</u>	<u>1,347,000</u>	<u>0</u>
Total liabilities	<u>1,849,832</u>	<u>1,675,881</u>	<u>211,649</u>
Deferred inflows related to pension	<u>33,000</u>	<u>167,000</u>	<u>0</u>
Net position:			
Invested in capital assets	1,123,531	1,337,662	1,618,548
Unrestricted	<u>513,957</u>	<u>270,943</u>	<u>1,329,037</u>
Total net position	<u>\$1,637,488</u>	<u>\$1,608,565</u>	<u>\$2,947,585</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The most notable change in fiscal year FY 2015 is the \$1.3 million increase in noncurrent liabilities and the related drop in the unrestricted net position from FY 2014 to FY 2015. Across the United States, each government unit has been mandated by the Governmental Accounting Standards Board to carry its proportionate share of the net liability of any pension plans in which it participates. KUAC benefited employees participate in the State of Alaska Public Employees Retirement System (PERS); thus it has the responsibility to carry its share of the net pension liability from the PERS system. The deferred outflows and inflows of resources are new line items, related to the same pension requirement. In FY 2016, the net effect of changes to the net pension liability and related deferred outflows and inflows of resources was to increase pension expense and decrease unrestricted net assets by \$168,000.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the results of operations for KUAC as a whole. Revenues, expenses and other changes in net position are reported as either operating or nonoperating. All significant revenue sources for KUAC are reported as operating revenue. KUAC has defined significant revenue sources as all operating grant revenue, state appropriations-operating, contributions, other operating revenues, underwriting revenues, and in-kind contributed support.

KUAC's revenues, expenses and changes in net position for the years ended June 30, 2016, 2015 and 2014 are summarized as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues	\$4,185,482	\$4,513,143	\$4,487,110
Operating expenses	<u>3,984,265</u>	<u>4,301,968</u>	<u>4,525,094</u>
Operating profit (loss)	201,217	211,175	(37,984)
Net non-operating revenues (expenses)	<u>41,225</u>	<u>276,588</u>	<u>122,744</u>
Increase (decrease) in net position, before other revenues	242,442	487,763	84,760
Pension expense—net pension and OPEB	<u>(213,519)</u>	<u>(241,783)</u>	<u>(131,383)</u>
Increase (decrease) in net position	28,923	245,980	(46,623)
Net position at beginning of year	1,608,565	2,947,585	2,994,208
Cumulative effect of change in GASB 68 Accounting principle	<u>0</u>	<u>(1,585,000)</u>	<u>0</u>
Net position at end of year	<u>\$1,637,488</u>	<u>\$1,608,565</u>	<u>\$2,947,585</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects an overall increase in net position of \$28,923 or 1.8 percent for the year ended June 30, 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The most notable change is an additional line for FY 2015 related to the cumulative effect of a change in accounting principle that went in to effect beginning with FY 2015, related to adopting the new pension standards for governments, as discussed above. This accounting standard was adopted for the FY 2016 financial statements, with restatement of the FY 2015 balances. The effect on the increase in net position related to changes in the net pension liability and related deferred outflows and deferred inflows was to increase the change in net position prior to the cumulative effect of change in accounting principle by \$176,000 for FY 2015, and to decrease the change in net position by \$168,000 for FY 2016.

As a department of the University of Alaska Fairbanks, KUAC continues to experience the effects of reduced State of Alaska funding to the University of Alaska. In FY 2016, KUAC had a reduction of \$115,912 in state appropriation or 10.2 percent for the year ended June 30, 2016. To address these funding reductions, KUAC continues to use a variety of strategies to reduce expenses, while continuing to refresh infrastructure expenditures. These strategies include reconfiguring and/or eliminating positions, delaying recruitments, and conducting a stringent review of expenditures.

In FY 2016, we had a decrease of \$18,048 in our Corporation for Public Broadcasting (CPB) grants due to a decrease in the CPB budget from the federal government. Note 11 to the financial statements includes information as to what types of revenue qualify for nonfederal financial support (NFFS) standing. The importance of the NFFS calculation is that this number is a major factor in the calculation of our CPB grants as well as Public Broadcasting Service (PBS) and National Public Radio (NPR) dues. KUAC receives significant savings through a statewide purchase of NPR dues/programming. In contrast, the calculation of PBS dues utilizes a one-size fits all formula based on NFFS for each station which to the detriment of the small market stations.

In FY 2016, we had a decrease of \$37,582 in underwriting revenue, or 10.1 percent, from \$369,510 in FY 2015. We also had a decrease of \$25,327, or 3.2 percent, in contributions revenue. We attribute these reductions to the pressures and uncertainties businesses and individuals face in the current economic environment of Alaska.

In FY 2016 and 2015, KUAC continued to replace and upgrade TV and FM automation equipment and software for a total cost of \$31,221 and \$173,077 respectively. In FY 2014, KUAC partnered with UAF Athletics to purchase and operate a mobile TV production broadcasting package at a cost of \$214,416. This joint venture included KUAC purchasing the equipment and UAF Athletics hiring operational personnel to be supervised by KUAC. In FY 2015, the mobile TV production broadcasting system used by UAF Athletics became operational, and depreciation was recorded in the amount of \$41,810. Late in FY 2015, a decision was made to transfer all authority over this equipment to UAF Athletics, which is reflected on the disposal of assets. This resulted in a loss on the disposal of assets of \$141,195 in FY 2015.

In FY 2016, we had a significant decrease in our non-operational revenue due to a lower State of Alaska on-behalf pension contribution of \$45,519, a 89% decrease from the \$417,783 in FY 2015. In FY 2016, KUAC fully implemented the new GASB 68 accounting standard which required recording the future net pension liability, retroactive to FY 2015, as discussed above.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Other Economic and Financial Conditions

In spite of the economic challenges families face, donor contributions remain strong--reflecting the consistent level of KUAC community engagement and support. In FY 2015, KUAC started a sustaining gift program for donors which has grown to over 1,000 participants. Another sustaining program, a KUAC Kids Club, now numbers over 100 members. This program builds upon the Public Broadcasting System (PBS) kids educational programs, including partnerships with community organizations for specific KUAC Kids Club events. It is these factors, in conjunction with KUAC's continuing conservative operational management, which allow KUAC to focus upon meeting its mission.

Contacting KUAC's Financial Management

This financial report is designed to provide residents of the State of Alaska and our customers and creditors with a general overview of KUAC's finances, and to demonstrate KUAC's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact KUAC TV/FM, University of Alaska Fairbanks, P.O. Box 755620, Fairbanks, Alaska 99175-5620.

RJG A Professional Corporation

Certified Public Accountants

1100 West Barnette Street, Suite 102, Fairbanks, AK 99701
(907) 452-4156 Fax (907) 452-3156 www.rjgcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
University of Alaska
KUAC TV9 FM 89.9

We have audited the accompanying financial statements of KUAC TV9 FM 89.9, (a public telecommunications entity operated by the University of Alaska), which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of KUAC TV9 FM 89.9 as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

As discussed in note 1, the financial statements present only KUAC TV9 FM 89.9, and do not purport to, and do not, present fairly the financial position of the University of Alaska as of June 30, 2016 and 2015, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Pronouncement

As discussed in note 12 to the financial statements, effective July 1, 2014, KUAC TV9 FM 89.9 adopted *Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matter

Required supplementary information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 1-4 and the schedule of proportionate share of net pension liability and employer contributions on pages 33-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in Schedules I through IV is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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.

RJG

RJG, A Professional Corporation

January 11, 2017
Fairbanks, Alaska

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

STATEMENTS OF NET POSITION

JUNE 30, 2016 AND 2015

	2016	2015
Assets		
Current assets		
Cash (note 3)	\$ 170,071	\$ -
Cash position held at University of Alaska Foundation (note 4)	1,843,939	1,796,609
Accounts receivable (note 5)	72,593	82,651
Prepaid expenses	96,186	129,564
Total current assets	2,182,789	2,008,824
Capital assets, net of accumulated depreciation (note 6)	1,123,531	1,337,622
Total assets	3,306,320	3,346,446
Deferred outflows related to pension (note 9)	214,000	105,000
Liabilities		
Current liabilities		
Accounts payable	18,000	18,000
Due to University of Alaska (note 3)	39,408	261,778
Unearned underwriting revenue	34,424	49,103
Total current liabilities	91,832	328,881
Noncurrent liabilities		
Net pension liability (note 9)	1,758,000	1,347,000
Total liabilities	1,849,832	1,675,881
Deferred inflows related to pension (note 9)	33,000	167,000
Net position		
Net investment in capital assets	1,123,531	1,337,622
Unrestricted	513,957	270,943
Total net position	\$ 1,637,488	\$ 1,608,565

See accompanying notes and independent auditor's report.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Operating revenues		
Corporation for Public Broadcasting		
Community service grants	\$ 940,289	\$ 960,402
Other	53,841	51,776
Alaska Public Broadcasting Commission	192,691	241,395
State appropriations and University funding - operating	1,024,600	1,140,512
Contributions	760,539	785,866
Other operating revenues	25,724	58,251
Underwriting revenues	331,928	369,510
Facilities and administrative support - UAF (note 7)	559,285	597,318
In-kind contributions (note 7)	296,585	308,113
	<u>4,185,482</u>	<u>4,513,143</u>
Total operating revenues		
Operating expenses		
Program services		
Programming and production	1,277,841	1,361,524
Broadcasting	880,747	963,511
Program information	193,414	218,062
Supporting services		
Management and general	805,595	768,444
Fundraising	366,666	472,040
Underwriting	218,984	205,579
Depreciation	241,018	312,808
	<u>3,984,265</u>	<u>4,301,968</u>
Total operating expenses		
Operating profit	<u>201,217</u>	<u>211,175</u>
Non-operating revenues		
State of Alaska on-behalf contributions - pension	45,519	417,783
Loss on disposal of capital assets	(4,294)	(141,195)
	<u>41,225</u>	<u>276,588</u>
Total non-operating revenues		
Change in net position before other revenues, expenses, gains or losses	242,442	487,763
Pension expense - noncash net pension expense (note 9)	(213,519)	(241,783)
Changes in net position	28,923	245,980
Net position		
Beginning of year	1,608,565	2,947,585
Cumulative effect of change in accounting principle (note 11)	-	(1,585,000)
	<u>1,608,565</u>	<u>1,362,585</u>
End of year	<u>\$ 1,637,488</u>	<u>\$ 1,608,565</u>

See accompanying notes and independent auditor's report.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Cash received from operating grants	\$ 1,186,821	\$ 1,280,381
Cash received from state appropriations	1,024,600	1,140,512
Cash received from contributions	765,040	789,052
Cash received from underwriting contracts	322,806	306,722
Other operating revenues received	25,724	58,251
Cash paid to employees and suppliers	(2,853,999)	(3,049,993)
Net cash provided by operating activities	470,992	524,925
Cash flows from non-capital financing activities		
Net advances from (repayments to) University of Alaska	(222,370)	163,434
Net cash provided by (used in) non-capital financing activities	(222,370)	163,434
Cash flows from capital and related financing activities		
Purchase of infrastructure and equipment	(31,221)	(173,077)
Net cash (used in) capital and related financing activities	(31,221)	(173,077)
Cash flows from investing activities		
(Increase) decrease in cash position held at University of Alaska Foundation	(47,330)	(515,282)
Net cash provided by investing activities	(47,330)	(515,282)
Net increase (decrease) in cash and cash equivalents	170,071	-
Cash and cash equivalents		
Beginning of year	-	-
End of year	\$ 170,071	\$ -

See accompanying notes and independent auditor's report.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

STATEMENTS OF CASH FLOWS (Continued)

YEARS ENDED JUNE 30, 2016 AND 2015

Reconciliation of operating profit to net cash provided by operating activities

	2016	2015
Operating profit	\$ 201,217	\$ 211,175
Adjustments to reconcile operating profit to net cash provided by operating activities:		
Depreciation expense	241,018	312,808
Changes in assets and liabilities:		
Grants receivable	-	26,808
Underwriting receivable	5,557	(19,293)
Contributions receivable	4,501	3,186
Prepaid expenses	33,378	36,443
Accounts payable	-	(2,707)
Unearned underwriting revenue	(14,679)	(43,495)
	<u>\$ 470,992</u>	<u>\$ 524,925</u>
 Noncash activities		
In-kind contributions of expenses and prepaid expenses	<u>\$ 296,585</u>	<u>\$ 308,133</u>
In-kind contributions of facilities and administrative support	<u>\$ 559,285</u>	<u>\$ 597,318</u>
Direct payment by State of Alaska of pension obligation	<u>\$ 45,519</u>	<u>\$ 417,783</u>

See accompanying notes and independent auditor's report.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Reporting entity and business activities - KUAC TV9 FM 89.9 (KUAC) is a unit of the University of Alaska Fairbanks (UAF), which is a component unit of the State of Alaska. KUAC is the licensee of one public television station and one public radio station. The financial statements present only the activities of KUAC and do not include any other activities of the University of Alaska or the State of Alaska.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Basis of presentation - The financial statements of KUAC have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the *Principles of Accounting and Financial Reporting for Public Telecommunications Entities*.

KUAC follows the "business-type" activities of GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. KUAC also adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions*, effective for the fiscal year ending June 30, 2013. These Statements requires the following components of KUAC's financial statements: Management's Discussion and Analysis; basic financial statements including a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows – Direct Method; and Notes to the Financial Statements. It also requires the classification of net position into three components - net investment in capital assets, restricted, and unrestricted. GASB Statement No. 63 also requires separate reporting of deferred outflows and inflows of resources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared on the economic resources measurement focus and accrual bases of accounting. All significant intra-organization transactions have been eliminated.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred outflows of resources represent the consumption of net assets by KUAC in one period that is applicable to future periods. KUAC's deferred outflows of resources relate to its pension obligation.

Deferred inflows of resources represent the acquisition of net assets in one period that is applicable to future periods. KUAC's deferred inflows of resources relate to its pension obligation.

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflow of resources and is required to be classified for accounting and reporting purposes into the following categories:

Unrestricted net position is the net amount of assets, net of related liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position. 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 net position:

Expendable net position is subject to externally-imposed restrictions that may or will be met by actions of KUAC and/or that expire with the passage of time.

Non-expendable net position is subject to externally-imposed restrictions requiring that they be maintained permanently by the university.

Net investment in capital assets - Capital assets, net of accumulated depreciation, reduced by outstanding balances of debt attributable to the acquisition, construction or improvement of those assets.

Operating activities - KUAC's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position are those that generally result from the provision of public broadcasting services. Revenues associated with, or restricted by donors to use for, capital improvements are recorded as non-operating revenues.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition - State appropriations and University funding are recorded in the statement of revenues, expenses and changes in net position as operating revenue if provided for regular operations of the stations, as resources are committed by the University.

Membership contributions are recognized as operating revenue in the period they are received. Revenue related to program underwriting for subsequent fiscal years is reflected as unearned revenues in the accompanying statement of net position. Revenue is recognized when the sponsored program is aired. Contributed support represents expenses paid on behalf of a public telecommunications entity by others outside the reporting entity, and includes contributed travel, advertising, transponder rental, and indirect administrative support. Donated personal services of nonprofessional volunteers are not recorded as revenue and expense as there is no objective basis to measure the value of such services.

Public Broadcasting grants - The Corporation for Public Broadcasting is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. 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). Each grant must be fully expended within two years of the initial grant authorization.

Indirect Administrative Support - Facilities and administrative support - UAF consists of allocated institutional support and physical plant costs incurred by the University of Alaska for which KUAC receives benefits. The fair value of this support is recognized in the Statements of Revenues, Expenses, and Changes in Net Position as indirect administrative support and also as expense as allocated in functional expense categories. For the years ended June 30, 2016 and 2015, indirect support was calculated using UAF's Other Sponsored Activities indirect cost rate negotiated with United States Department of the Navy. The approved rate was modified to exclude certain cost components that do not benefit KUAC.

Advertising costs - Advertising costs are expensed in the period in which they are incurred.

Functional allocation of expenses - The costs of providing the various program services and other activities have been summarized on a functional basis in the statement of revenues, expenses, and changes in net position and in a footnote detailing functional expenses. Accordingly, certain costs have been allocated among the program and supporting services on the basis of benefits received.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets - Capital assets consist primarily of television and radio production, broadcasting, and transmitting equipment. The equipment is stated at acquisition cost or fair value at date of donation in the case of gifts. Depreciation is recognized on a straight-line basis, with useful lives ranging from 4 to 20 years.

Pensions - For purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan of the Public Employees Retirement System (PERS) and additions to/deductions from the pension plan's fiduciary net position have been determined by the University of Alaska on the same basis they are reported by PERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. KUAC has allocated its proportionate share of University of Alaska's pension accounts based on the proportion of its PERS-related payroll to the University's PERS-related payroll.

Income taxes - KUAC is wholly-owned by the University of Alaska and is exempt from federal income taxes under Section 115 of the Internal Revenue Code.

Subsequent events - Management has evaluated subsequent events through January 11, 2017, the date the financial statements were available to be issued. No events were identified that required accrual or disclosure.

NOTE 3 - CASH, DUE TO UNIVERSITY OF ALASKA, AND UNDERWRITING COMMITMENT

Cash represents the equity of KUAC in the respective pooled cash resources of the University of Alaska. Disclosure information required under GASB No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), Reverse Repurchase Agreements*, is not available.

Due to University of Alaska, with balances of \$39,408 and \$261,778 at June 30, 2016 and 2015, represents funds the University has paid out for KUAC expenditures in excess of reimbursements received from KUAC funds held at University of Alaska Foundation. This does not represent a loan from University of Alaska but merely gap funding necessitated by the timing of receiving grant and other cash versus paying organization expenses.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 4 - CASH POSITION HELD AT UNIVERSITY OF ALASKA FOUNDATION

KUAC invests its contributed funds through the University of Alaska Foundation. These funds are generated mainly through annual TV and FM fundraising membership drives and program underwriting, and are pooled for payment of both TV and FM expenditures. The University of Alaska Foundation supports KUAC and other university programs. The Foundation does not pay interest on invested balances and charges a 1% gift fee to compensate for managing the funds. KUAC is not at risk for market declines in regard to these funds.

NOTE 5 - ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Underwriting accounts receivable	\$ 50,961	\$ 56,518
Pledges receivable	<u>21,632</u>	<u>26,133</u>
	<u>\$ 72,593</u>	<u>\$ 82,651</u>

Management has estimated all receivables are carried at their estimated collectible value and no allowances are required.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 6 - CAPITAL ASSETS

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>
Infrastructure	\$ 3,283,301	\$ 23,400	\$ -	\$ 3,306,701
Equipment	1,371,143	7,821	(431,580)	947,384
Total	<u>4,654,444</u>	<u>31,221</u>	<u>(431,580)</u>	<u>4,254,085</u>
Accumulated depreciation:				
Infrastructure	(2,092,731)	(210,878)	-	(2,303,609)
Equipment	<u>(1,224,091)</u>	<u>(30,140)</u>	<u>427,286</u>	<u>(826,945)</u>
Total	<u>(3,316,822)</u>	<u>(241,018)</u>	<u>427,286</u>	<u>(3,130,554)</u>
Capital assets, net	<u>\$ 1,337,622</u>	<u>\$ (209,797)</u>	<u>\$ (4,294)</u>	<u>\$ 1,123,531</u>
	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>
Infrastructure	\$ 3,140,377	\$ 142,924	\$ -	\$ 3,283,301
Equipment	1,562,795	30,153	(221,805)	1,371,143
Total	<u>4,703,172</u>	<u>173,077</u>	<u>(221,805)</u>	<u>4,654,444</u>
Accumulated depreciation:				
Infrastructure	(1,885,336)	(207,395)	-	(2,092,731)
Equipment	<u>(1,199,288)</u>	<u>(79,368)</u>	<u>54,565</u>	<u>(1,224,091)</u>
Total	<u>(3,084,624)</u>	<u>(286,763)</u>	<u>54,565</u>	<u>(3,316,822)</u>
Capital assets, net	<u>\$ 1,618,548</u>	<u>\$ (113,686)</u>	<u>\$ (167,240)</u>	<u>\$ 1,337,622</u>

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 7 - INDIRECT FACILITIES AND ADMINISTRATIVE SUPPORT AND CONTRIBUTED IN-KIND SUPPORT

Facilities and administrative support consists of allocated institutional support and physical plant costs incurred by the University of Alaska Fairbanks on behalf of KUAC. The fair value of this support is recognized in the Statement of Activities as indirect facilities and administrative support and also as expense. For the years ended June 30, 2016 and 2015, indirect support is calculated using the University's Other Sponsored Activities indirect cost rate negotiated with the United States Department of the Navy. The approved rate of 37.2% in 2016 and 2015 was modified to exclude certain cost components that do not benefit KUAC, resulting in an applied rate of 19.37% for 2016 and 2015. The total indirect expenses are allocated among expenditure categories based upon the expenditure category percentage of the total expenditures.

Contributed in-kind support represents principally in-kind support received from Alaska Public Broadcasting Corporation, primarily for use of APBC's broad band transmitters. Contributed in-kind support is recorded as revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position.

	2016		
	Indirect facilities and administrative support	Satellite transmitter support and other	Totals
TV:			
Programming and production	\$ 118,991	\$ -	\$ 118,991
Broadcasting	87,155	166,961	254,116
Program information	17,626	27,951	45,577
Management and general	54,427	3,203	57,630
Fundraising	16,796	6,615	23,411
Underwriting	3,588	2,238	5,826
Total TV	<u>298,583</u>	<u>206,968</u>	<u>505,551</u>
FM:			
Programming and production	88,324	229	88,553
Broadcasting	20,476	50,495	70,971
Program information	4,264	30,564	34,828
Management and general	75,256	3,203	78,459
Fundraising	41,182	2,765	43,947
Underwriting	31,200	2,361	33,561
Total FM	<u>260,702</u>	<u>89,617</u>	<u>350,319</u>
Total	<u>\$ 559,285</u>	<u>\$ 296,585</u>	<u>\$ 855,870</u>

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 7 - INDIRECT FACILITIES AND ADMINISTRATIVE SUPPORT AND CONTRIBUTED IN-KIND SUPPORT (continued)

	2015		Totals
	Indirect facilities and administrative support	Satellite transmitter support and other	
TV:			
Programming and production	\$ 106,288	\$ -	\$ 106,288
Broadcasting	94,955	177,748	272,703
Program information	18,452	27,263	45,715
Management and general	55,675	4,331	60,006
Fundraising	23,091	1,640	24,731
Underwriting	3,142	3,374	6,516
Total TV	<u>301,603</u>	<u>214,356</u>	<u>515,959</u>
FM:			
Programming and production	114,515	801	115,316
Broadcasting	23,294	57,043	80,337
Program information	8,197	26,568	34,765
Management and general	67,613	4,331	71,944
Fundraising	52,974	1,640	54,614
Underwriting	29,122	3,374	32,496
Total FM	<u>295,715</u>	<u>93,757</u>	<u>389,472</u>
Total	<u>\$ 597,318</u>	<u>\$ 308,113</u>	<u>\$ 905,431</u>

NOTE 8 - CONCENTRATIONS AND ECONOMIC DEPENDENCE

In addition to receiving the in-kind facilities and administrative support as discussed in Note 7, KUAC is dependent on its sponsoring organization, University of Alaska Fairbanks (UAF), for cash operating revenues. During the years ended June 30, 2016 and 2015, UAF provided the following cash support to KUAC, totaling 31 percent and 32 percent, respectively, of KUAC's cash operating revenues.

	<u>2016</u>	<u>2015</u>
State appropriation	\$ 824,600	\$ 940,512
Transfer from Office of Information Technology for transponder	<u>200,000</u>	<u>200,000</u>
	<u>\$ 1,024,600</u>	<u>\$ 1,140,512</u>

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 8 - CONCENTRATIONS AND ECONOMIC DEPENDENCE (continued)

For the years ended June 30, 2016 and 2015, KUAC received 30 and 28 percent, respectively, of its cash operating revenues from grants from the Corporation for Public Broadcasting.

NOTE 9 - RETIREMENT PLANS

Participation in one of the various pension plans generally depends on when an employee was originally hired by the University. Substantially all regular employees hired before July 1, 2006 participate in the State of Alaska Public Employees' Retirement System - Defined Benefit (PERS-DB), a cost-sharing, multiple-employer public employee retirement plan.

In addition, substantially all eligible employees participate in the University of Alaska Pension Plan, a supplemental single-employer defined contribution plan. Employees hired on or after July 1, 2006 have a choice to participate in the University of Alaska Retirement Program or the applicable state defined contribution plan. The University of Alaska Retirement Program consists of ORP (Tier 3) and the University of Alaska Pension Plan. The state's defined contribution plan is the Public Employees' Retirement System - Defined Contribution (PERS-DC).

KUAC provides elective deferral options for employee contributions to deferred annuity plans in accordance with Internal Revenue Code sections 403(b) and 457(b), subject to eligibility criteria.

Each of the plans noted above are described in more detail in the sections that follow.

State of Alaska Public Employees' Retirement System - Defined Benefit (PERS-DB)

Plan Description

PERS-DB is a defined benefit, cost-sharing, multiple-employer public employee retirement plan established and administered by the State of Alaska. The plan was originally established as an agent multiple-employer plan, but was converted by legislation to a cost-sharing plan, effective July 1, 2008. This change provided for an integrated system of accounting for all employers. Under the integrated system, the PERS-DB plans' unfunded liability will be shared among all employers with each contributing 22 percent of their covered payroll.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 9 - RETIREMENT PLANS (continued)

State of Alaska Public Employees' Retirement System - Defined Benefit (PERS-DB) (continued)

Plan Description

PERS provides pension, post-employment health care, death, and disability benefits to eligible participants. Benefit and contribution provisions are established by state law and may be amended only by the state legislature. Effective July 1, 2006, the state legislature closed PERS-DB to new members and created a Public Employees' Retirement System Defined Contribution Retirement Plan (PERS-DC), disclosed later in this note.

Each fiscal year, PERS-DB issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by calling (907) 465-4460.

Funding Policy and Annual Pension Cost

Employee contribution rates are 6.75 percent, as required by state statute. The funding policy for PERS-DB provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. The 2016 and 2015 actuarially determined rates were 27.19 percent and 44.03 percent of applicable gross pay, respectively. However, the employer contribution rate for the University was capped by the state at 22 percent for fiscal years 2016 and 2015.

The state appropriated funding directly to the PERS-DB plan as a relief payment to employers' contributions for fiscal year 2016. KUAC recognized \$45,519 and \$417,783 of state-appropriated contributions during the years ended June 30, 2016 and 2015, respectively, in state on-behalf pension payments for the PERS-DB plan. The amounts contributed to PERS-DB by KUAC during the years ended June 30, 2016 and 2015 were \$174,566 and \$184,282 respectively, equal to the required employer contributions for each year.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 9 - RETIREMENT PLANS (continued)

Pension Liabilities and Pension Expense

At June 30, 2016, KUAC reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to KUAC. The amount recognized by KUAC as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with KUAC as of June 30, 2016 and 2015 were as follows:

	2016	2015
KUAC's proportionate share of the net pension liability - PERS	\$ 1,758,000	\$ 1,347,000
State's proportionate share of the net pension liability associated with KUAC (unaudited)	475,000	967,000
Total net pension liability	\$ 2,233,000	\$ 2,314,000

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. KUAC's proportion of the net pension liability of the University was based on a proportion of KUAC's participating employee payroll compared with the University's total participating employee payroll. The University's proportion of the net pension liability was based on a projection of the University's share of present value of future contributions to the pension plan relative to the projected present value of future contributions of all participating employers and the State, actuarially determined. At June 30, 2016 and 2015, the University's portion was 4.16% and 3.43% of the overall PERS liability. KUAC's portion was 0.85% and 0.85% of the University's portion.

For the years ended June 30, 2016 and 2015, KUAC recognized pension expense and revenue of \$45,519 and \$417,783 for support provided by the State. At June 30, 2016, KUAC reported deferred outflows of resources and deferred inflows of resources related to PERS-DB from the following sources:

	June 30, 2016	
	Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$ 2,000	\$ 31,000
Changes in assumptions	101,000	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	6,000	2,000
Contributions subsequent to the measurement date	105,000	-
	\$ 214,000	\$ 33,000

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 9 - RETIREMENT PLANS (continued)

The contributions of \$105,000 reported as deferred outflows of resources related to pensions resulting from KUAC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS-DB will be recognized in pension expense as follows:

Years ending June 30,

2017	\$	78,000
2018	\$	(10,000)
2019	\$	(20,000)
2020	\$	28,000

Actuarial Assumptions. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.12% per year
Salary increases	Graded by age and service, from 8.55% to 4.34%
Investment rate of return	8%, net of pension plan investment expenses, based on average inflation rate of 3.12% and a real rate of return of 4.88%

Mortality rates (pre-termination) were based on the 2010 to 2013 actual mortality experience, 60 percent of male rates and 65 percent of female rates of post-termination mortality rates. Deaths are assumed to be occupational 50 percent of the time. Mortality (post termination) are based upon 96 percent of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 9 - RETIREMENT PLAN (continued)

Long-term expected rate of return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's current and expected asset allocation is summarized in the following table (note that the rates shown exclude the inflation component):

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	5.35%
Global equity (non-US)	5.55%
Private equity	6.25%
Fixed income composite	0.80%
Real estate	3.65%
Alternative equity	4.70%

Discount Rate. The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that employer and non-employer contributions will continue to follow the current funding policy, which meets State Statutes. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of KUAC's proportionate share of the net pension liability to changes in the discount rate. The following presents KUAC's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what KUAC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9) than the current rate:

	1% decrease 7%	Discount rate 8%	1% increase 9%
KUAC's proportionate share of the net pension liability	\$ 2,338,000	\$ 1,758,000	\$ 1,271,000

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 9 - RETIREMENT PLAN (continued)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS-DB financial report.

According to GASB Statement No. 68, KUAC and the University report under a special funding situation. The special funding situation indicates that the State of Alaska is legally responsible for making contributions directly to the PERS-DB plan for the University as further described in Alaska Statute 39.35.280. If the law did not exist or was eliminated, KUAC and the University may no longer record as a special funding situation. For example, in a non-special funding situation, KUAC would be required to recognize an additional net pension liability of \$475,000 (unaudited) as of June 30, 2016.

State of Alaska Public Employees' Retirement System - Defined Contribution (PERS-DC)

Plan Description

PERS-DC is a defined contribution, cost-sharing, multiple-employer public employee retirement plan established and administered by the State of Alaska to provide pension and postemployment healthcare benefits for eligible employees. Benefit and contribution provisions are established by state law and may be amended only by the state legislature. PERS-DC was created by the state effective July 1, 2006. Plan savings are accumulated in individual retirement accounts for the exclusive benefit of each member or beneficiary.

Funding Policy and Annual Pension Cost

Employee contribution rates are 8 percent of covered payroll, and the employer effective contribution rate is 22 percent of covered payroll. For the years ended June 30, 2016 and 2015, KUAC's total covered payroll was \$78,553 and \$96,248. Employer contributions were \$17,282 and \$21,175 for the years ended June 30, 2016 and 2015, respectively, for pension and postemployment healthcare.

Each fiscal year, PERS-DC issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by calling (907) 465-4460.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 9 - RETIREMENT PLAN (continued)

University of Alaska Optional Retirement Plan - Defined Contribution (ORP)

Plan Description

The ORP is an employer funded defined contribution plan which operates in conjunction with a companion mandatory tax-deferred annuity plan. The ORP is comprised of three layers of participants, the original ORP or ORP Tier 1 which was created for participants hired prior to July 1, 2005, ORP Tier 2 which was created for participants hired between July 1, 2005 and June 30, 2006, and ORP Tier 3 which was created for participants hired on or after July 1, 2006. For ORP Tier 1 and ORP Tier 2, faculty classified as regular, and certain administrators, made a one-time election to participate in the ORP as an alternative to participation in the defined benefit plan, PERS-DB. For ORP Tier 3, each new eligible employee may make a one-time election to participate in the University of Alaska Retirement Program (includes ORP Tier 3 and the University of Alaska Pension Plan) as an alternative to participation in the State of Alaska defined contribution plans, PERS-DC. Beginning July 1, 2015, the ORP was closed to new hired regular staff.

ORP Tier 1 and Tier 2

There were no KUAC employees participating in ORP Tier 1 or 2 during either years ended June 30, 2016 and June 30, 2015.

ORP Tier 3

The ORP Tier 3 is for eligible employees hired on or after July 1, 2006. Employee contribution rates are 8 percent and KUAC's contribution rate, through the University of Alaska, is 14 percent. Total ORP Tier 3 retirement expense was \$14,360 and \$16,979 for the years ended June 30, 2016 and June 30, 2015, respectively. KUAC contributions for ORP Tier 3 participants are 100 percent vested after three years of service.

University of Alaska Pension Plan (Pension)

Plan Description

In addition to the other retirement plans, substantially all regular employees (hired before July 1, 2006), and faculty classified as temporary, participate in the Pension plan which was established effective January 1, 1982, when the University withdrew from the federal social security program. Eligible employees, hired on or after July 1, 2006 and electing to participate in the University of Alaska Retirement program, also participate in the Pension plan. Beginning July 1, 2015, the ORP was closed to new hired regular staff.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 9 - RETIREMENT PLAN (continued)

Funding Policy and Annual Pension Cost

Effective January 1, 2016 and 2015, employer contributions for regular employees were 7.65 percent of covered wages up to a maximum of \$42,000. For certain faculty classified as temporary, the employer contributions were 7.65 percent of covered wages up to \$118,500 in 2016 and 2015. The plan provides for employer contributions to be invested in accordance with participant-directed investment elections. Participants hired before July 1, 2006, are 100 percent vested at all times. KUAC contributions for participants hired on or after July 1, 2006, are 100 percent vested after 3 years of service. Regular staff hired on or after July 1, 2015 are also 100 percent vested after three years of service of the employer contributions of the pension plan. Total pension expense was \$48,630 and \$40,956 for the years ended June 30, 2016 and June 30, 2015, respectively.

NOTE 10 - NONFEDERAL FINANCIAL SUPPORT (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all the respective criteria for each.

A "contribution" is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be any entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

However, to eliminate distortions in the TV Community Service Grant (CSG) grant program precipitated by large infusions of new capital investments in Digital Television (DTV), all capital contributions received for purposes of acquiring new equipment or upgrading existing or building new facilities, regardless of source or form of the contribution, are not included in calculating NFFS. This change excludes all revenues received for any TV capital purchases.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 10 - NONFEDERAL FINANCIAL SUPPORT (NFFS) (continued)

A "payment" is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization, or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Revenue reported for NFFS in relation to net pension liability is limited only to actual contributions to the plan, reported as "State of Alaska on-behalf contributions - pension." It does not include changes in net pension liability.

The operations of KUAC are accounted for using the following funds for CPB purposes:

Television Fund - This fund includes the revenues and expenses of KUAC TV9, the television transmission operations through Alaska One.

Radio Fund - This fund includes the revenues and expenses of KUAC FM 89.9.

Reported NFFS for KUAC were \$1,610,650 and \$1,732,687 for KUAC TV9, and \$1,585,761 and \$2,107,171 for KUAC FM 89.9 for the years ended June 30, 2016 and 2015, respectively.

NOTE 11 - RESTATEMENT OF NET POSITION

In fiscal year 2016, retroactive to July 1, 2014, KUAC implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contribution Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result of the implementation, the beginning net position as of July 1, 2014 was restated, resulting in a decrease of \$1,585,000 to recognize the fiscal year 2014 net pension liability. This net pension liability represents KUAC's proportionate share of the net pension liability of the State of Alaska PERS-DB plan. The pension plan's net pension liability is measured as the plan's total pension liability, net of the pension plan's fiduciary net position.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 12 - FUNCTIONAL CLASSIFICATIONS WITH NATURAL CLASSIFICATIONS

	Compensation & Benefits	Contractual Services	Supplies & Materials	Travel & Other	In-kind Facilities Support	In-kind Administrative Support	Total	Depreciation
2016								
Program services								
Programming and production	\$ 491,058	\$ 565,782	\$ 5,658	\$ 7,799	\$ 111,631	\$ 95,913	\$ 1,277,841	\$ -
Broadcasting	138,076	364,935	42,274	10,375	268,114	56,973	880,747	241,018
Program information	112,107	-	902	-	11,787	68,618	193,414	-
Total program services	741,241	930,717	48,834	18,174	391,532	221,504	2,352,002	241,018
Supporting services								
Management and general	434,217	219,254	11,254	4,780	69,830	66,260	805,595	-
Fundraising	204,598	58,129	9,115	27,466	31,219	36,139	366,666	-
Underwriting	173,905	2,329	54	3,309	18,732	20,655	218,984	-
Total supporting services	812,720	279,712	20,423	35,555	119,781	123,054	1,391,245	-
Total 2016	\$ 1,553,961	\$ 1,210,429	\$ 69,257	\$ 53,729	\$ 511,313	\$ 344,558	\$ 3,743,247	\$ 241,018
2015								
Program services								
Programming and production	\$ 491,185	\$ 635,933	\$ 7,701	\$ 5,101	\$ 118,894	\$ 102,710	\$ 1,361,524	\$ -
Broadcasting	182,867	367,058	58,437	2,109	289,914	63,126	963,511	312,808
Program information	137,581	-	-	-	14,350	66,131	218,062	-
Total program services	811,633	1,002,991	66,138	7,210	423,158	231,967	2,543,097	312,808
Supporting services								
Management and general	425,995	175,691	29,925	4,883	66,386	65,564	768,444	-
Fundraising	274,914	74,121	19,199	24,461	40,958	38,387	472,040	-
Underwriting	161,932	4,346	95	194	17,373	21,639	205,579	-
Total supporting services	862,841	254,158	49,219	29,538	124,717	125,590	1,446,063	-
Total 2015	\$ 1,674,474	\$ 1,257,149	\$ 115,357	\$ 36,748	\$ 547,875	\$ 357,557	\$ 3,989,160	\$ 312,808

SUPPLEMENTARY INFORMATION

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

SCHEDULE OF TV AND FM REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2016

	Total per Financial Statements	TV	FM
Operating revenues			
Corporation for Public Broadcasting			
Community service grants	\$ 940,289	\$ 698,341	\$ 241,948
Other	53,841	53,841	-
Alaska Public Broadcasting Commission	192,691	78,300	114,391
State appropriations and University funding	1,024,600	475,182	549,418
Contributions	760,539	471,980	288,559
Other operating revenues	25,724	19,174	6,550
Underwriting revenue	331,928	66,189	265,739
Facilities and administrative support from University of Alaska	559,285	298,583	260,702
In-kind contributions, services and other	296,585	206,968	89,617
	<u>4,185,482</u>	<u>2,368,558</u>	<u>1,816,924</u>
Operating expenses			
Program services			
Programming and production	1,277,841	733,301	544,540
Broadcasting	880,747	704,067	176,680
Program information	193,414	136,569	56,845
Supporting services			
Management and general	805,595	338,616	466,979
Fundraising	366,666	110,116	256,550
Underwriting	218,984	24,350	194,634
Depreciation	241,018	213,431	27,587
	<u>3,984,265</u>	<u>2,260,450</u>	<u>1,723,815</u>
Total operating expenses			
Operating profit (loss)	<u>201,217</u>	<u>108,108</u>	<u>93,109</u>
Non-operating revenues (expenses)			
State of Alaska on-behalf contributions - pension	45,519	16,842	28,677
Loss on disposal of capital assets	(4,294)	(4,294)	-
	<u>41,225</u>	<u>12,548</u>	<u>28,677</u>
Total non-operating revenues (expenses)			
Change in net position before other revenues, expenses, gains or losses	242,442	120,656	121,786
Pension expense - net pension, OPEB, and state on-behalf payment	<u>(213,519)</u>	<u>(79,002)</u>	<u>(134,517)</u>
Change in net position	<u>\$ 28,923</u>	<u>\$ 41,654</u>	<u>\$ (12,731)</u>

See independent auditor's report.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

SCHEDULE OF TV AND FM REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2015

	Total per Financial Statements	TV	FM
Operating revenues			
Corporation for Public Broadcasting			
Community service grants	\$ 960,402	\$ 718,966	\$ 241,436
Other	51,776	51,776	-
Alaska Public Broadcasting Commission	241,395	102,100	139,295
State appropriations and University funding	1,140,512	463,078	677,434
Contributions	785,866	375,609	410,257
Other operating revenues	58,251	51,368	6,883
Underwriting revenue	369,510	68,012	301,498
Facilities and administrative support from University of Alaska	597,318	301,602	295,716
In-kind contributions, services and other	308,113	214,356	93,757
	<u>4,513,143</u>	<u>2,346,867</u>	<u>2,166,276</u>
Operating expenses			
Program services			
Programming and production	1,361,524	655,011	706,513
Broadcasting	963,511	762,919	200,592
Program information	218,062	140,975	77,087
Supporting services			
Management and general	768,444	347,433	421,011
Fundraising	472,040	143,941	328,099
Underwriting	205,579	22,736	182,843
Depreciation	312,808	285,437	27,371
	<u>4,301,968</u>	<u>2,358,452</u>	<u>1,943,516</u>
Total operating expenses			
	<u>4,301,968</u>	<u>2,358,452</u>	<u>1,943,516</u>
Operating profit (loss)	<u>211,175</u>	<u>(11,585)</u>	<u>222,760</u>
Non-operating revenues (expenses)			
State of Alaska on-behalf contributions - pension	417,783	215,576	202,207
Loss on disposal of capital assets	(141,195)	(141,195)	-
	<u>276,588</u>	<u>74,381</u>	<u>202,207</u>
Total non-operating revenues (expenses)			
	<u>276,588</u>	<u>74,381</u>	<u>202,207</u>
Change in net position before other revenues, expenses, gains or losses	<u>487,763</u>	<u>62,796</u>	<u>424,967</u>
Pension expense - net pension, OPEB, and state on-behalf payment	(241,783)	(124,760)	(117,023)
	<u>(241,783)</u>	<u>(124,760)</u>	<u>(117,023)</u>
Change in net position	<u>\$ 245,980</u>	<u>\$ (61,964)</u>	<u>\$ 307,944</u>

See independent auditor's report.

KUAC TV9 FM89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MONETARY AND NONMONETARY

YEAR ENDED JUNE 30, 2016

	Total per Financial Statements	Nonmonetary transactions	Monetary
Operating revenues			
Corporation for Public Broadcasting			
Community service grants	\$ 940,289	\$ -	\$ 940,289
Other	53,841	-	53,841
Alaska Public Broadcasting Commission	192,691	-	192,691
State appropriations and University funding	1,024,600	-	1,024,600
Contributions	760,539	-	760,539
Other operating revenues	25,724	-	25,724
Underwriting revenue	331,928	-	331,928
Facilities and administrative support from University of Alaska	559,285	559,285	-
In-kind contributions, services and other	296,585	296,585	-
	<u>4,185,482</u>	<u>855,870</u>	<u>3,329,612</u>
Operating expenses			
Program services			
Local programming and production	1,277,841	207,544	1,070,297
Broadcasting	880,747	325,087	555,660
Program information	193,414	80,405	113,009
Supporting services			
Management and general	805,595	136,089	669,506
Fundraising	366,666	67,358	299,308
Underwriting	218,984	39,387	179,597
Depreciation	241,018	-	241,018
	<u>3,984,265</u>	<u>855,870</u>	<u>3,128,395</u>
Total operating expenses	<u>3,984,265</u>	<u>855,870</u>	<u>3,128,395</u>
Operating profit (loss)	<u>201,217</u>	<u>-</u>	<u>201,217</u>
Non-operating revenues (expenses)			
State of Alaska on-behalf contribution - pension	45,519	-	45,519
Loss on disposal of capital assets	(4,294)	-	(4,294)
	<u>41,225</u>	<u>-</u>	<u>41,225</u>
Total non-operating revenues (expenses)	<u>41,225</u>	<u>-</u>	<u>41,225</u>
Change in net position before other revenues, expenses, gains or losses	<u>242,442</u>	<u>-</u>	<u>242,442</u>
Pension expense - net pension and OPEB obligations	(213,519)	-	(213,519)
	<u>(213,519)</u>	<u>-</u>	<u>(213,519)</u>
Change in net position	<u>\$ 28,923</u>	<u>\$ -</u>	<u>\$ 28,923</u>

See independent auditor's report.

KUAC TV9 FM89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MONETARY AND NONMONETARY

YEAR ENDED JUNE 30, 2015

	Total per Financial Statements	Nonmonetary transactions	Monetary
Operating revenues			
Corporation for Public Broadcasting			
Community service grants	\$ 960,402	\$ -	\$ 960,402
Other	51,776	-	51,776
Alaska Public Broadcasting Commission	241,395	-	241,395
State appropriations and University funding	1,140,512	-	1,140,512
Contributions	785,866	-	785,866
Other operating revenues	58,251	-	58,251
Underwriting revenue	369,510	-	369,510
Facilities and administrative support from University of Alaska	597,318	597,318	-
In-kind contributions, services and other	308,113	308,113	-
	<u>4,513,143</u>	<u>905,431</u>	<u>3,607,712</u>
Operating expenses			
Program services			
Local programming and production	1,361,524	221,604	1,139,920
Broadcasting	963,511	353,040	610,471
Program information	218,062	80,480	137,582
Supporting services			
Management and general	768,444	131,950	636,494
Fundraising	472,040	79,345	392,695
Underwriting	205,579	39,012	166,567
Depreciation	312,808	-	312,808
	<u>4,301,968</u>	<u>905,431</u>	<u>3,396,537</u>
Total operating expenses	<u>4,301,968</u>	<u>905,431</u>	<u>3,396,537</u>
Operating profit (loss)	<u>211,175</u>	<u>-</u>	<u>211,175</u>
Non-operating revenues (expenses)			
State of Alaska on-behalf contribution - pension	417,783	-	417,783
Loss on disposal of capital assets	(141,195)	-	(141,195)
	<u>276,588</u>	<u>-</u>	<u>276,588</u>
Total non-operating revenues (expenses)	<u>276,588</u>	<u>-</u>	<u>276,588</u>
Change in net position before other revenues, expenses, gains or losses	<u>487,763</u>	<u>-</u>	<u>487,763</u>
Pension expense - net pension and OPEB obligations	(241,783)	-	(241,783)
	<u>(241,783)</u>	<u>-</u>	<u>(241,783)</u>
Change in net position	<u>\$ 245,980</u>	<u>\$ -</u>	<u>\$ 245,980</u>

See independent auditor's report.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

Schedule of KUAC's Proportionate Share of the Net Pension Liability

JUNE 30, 2016 AND 2015

	2016	2015
KUAC's proportion of net pension liability	0.0366%	0.0293%
KUAC's proportionate share of net pension liability	\$ 1,758,000	\$ 1,347,000
State's proportionate share of the net pension liability associated with KUAC	475,000	967,000
Total	\$ 2,233,000	\$ 2,314,000
KUAC's covered employee payroll	793,483	837,643
KUAC's proportionate share of the net pension liability as a percentage of its covered payroll	221.6%	160.8%
Plan fiduciary net position as a percentage of the total pension liability	64.0%	62.4%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, KUAC will present information for those years for which information is available.

Data reported is measured as of July 1, 2015 and 2014.

See independent auditor's report.

KUAC TV9 FM 89.9
(A public telecommunications entity
operated by the University of Alaska Fairbanks)

Schedule of KUAC's Contribution to PERS-DB Plan

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 105,000	\$ 105,000
Contributions in relation to the statutorily required contribution	\$ 105,000	\$ 105,000
Contribution (deficiency) excess	\$ -	\$ -
KUAC's covered employee payroll	\$ 793,483	\$ 837,643
Contribution as a percentage of covered KUAC payroll	13.3%	12.5%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, KUAC will present information for those years for which information is available.

Data reported is measured as of July 1, 2015 and 2014.

See independent auditor's report.